Municipal Affairs

Annual Report
2013-2014

Alberta
Government

CONTENTS

2 Preface

3 Minister's Accountability Statement

4 Message from the Minister

6 Spring 2013 Alberta Floods

10 Management's Responsibility for Reporting

Results Analysis

12 Ministry Overview – Municipal Affairs

15 Review Engagement Report

16 2013-14 Performance Measures Summary Table

18 2013-14 Performance Measures Data Sources and Methodology

24 Discussion and Analysis of Results

45 Expense by Function

Financial Information

49 Ministry of Municipal Affairs Consolidated Financial Statements

73 Department of Municipal Affairs Financial Statements

99 Alberta Social Housing Corporation Financial Statements

123 Safety Codes Council Financial Statements

139 Summary Statement of Revenues and Expenditures of the Improvement Districts' Trust Account

141 Special Areas Trust Account Financial Statements

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Management Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 19 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On December 6, 2013, the government announced new ministry structures. The 2013-14 ministry annual reports and financial statements have been prepared based on the new ministry structure.

This annual report of the Ministry of Municipal Affairs contains the minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- **the financial statements of entities making up the ministry including the Department of Municipal Affairs and provincial agencies for which the minister is responsible;**
- **other financial information as required by the *Financial Administration Act* and *Fiscal Management Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2014, was prepared under my direction in accordance with the *Fiscal Management Act* and the government's accounting policies. All of the government's policy decisions as at June 5, 2014 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by Greg Weadick]

Honourable Greg Weadick
Minister of Municipal Affairs

Message from the Minister

Albertans have always been caring, courageous and resilient people who work together to persevere and thrive. During the spring floods of 2013, we saw this steadfast spirit come to life as citizens responded to the needs of their neighbours and communities.

The past year was defining for both our province and this ministry. The spring flooding was recognized as the most significant natural disaster in the province's history and it tested the ministry's resources and expertise. The devastation affected multiple communities and thousands of Albertans. From our initial response to ongoing efforts, Municipal Affairs was at the centre of the Alberta Government's comprehensive efforts.

Our emergency response was led by the Alberta Emergency Management Agency which managed the Provincial Operations Centre. This co-ordination of a government-wide approach included flood monitoring and deployment of resources to affected municipalities. Our ministry work also extended to assisting displaced residents with interim housing, while creating the largest disaster recovery program in Canadian history.

And it wasn't that long ago that we were in the thick of our response to the wildfires of the Lesser Slave Lake Region with extensive recovery efforts in that part of the province. Where we stand today is a testament to how we are able to rise above adversity by working together at every level of government, and with individuals and groups. Municipal Affairs continues to play a key role in co-ordinating assistance from the province to this northern community.

The scope of our ministry's work this past year also reflects the depth and breadth of our responsibilities in serving Albertans, and we made significant progress in those efforts, both independently and in collaboration with our municipal partners.

The Municipal Government Act review moved forward with stakeholder and public engagement, which will contribute to the principles-based review of one of Alberta's largest pieces of legislation. This foundational Act affects each and every Albertan and is integral to the future success of our local governments and the province as a whole.

Supporting municipalities is also the driver behind the Municipal Sustainability Strategy. Legislative changes made this past year enabled the adoption of a viability review process that is more proactive, inclusive and innovative to help determine how some of our towns and villages move forward.

CONTINUED ON NEXT PAGE...

CONTINUED FROM PREVIOUS PAGE...

A community's success is also related to supporting regional collaboration. Recognizing this, last year we enhanced this support with more funding for strategic activities which strengthen municipal relationships and capacity building. Increased funding for the Regional Collaboration Program improved how we serve a population that is both growing and shifting. With increased population, regional dynamics come into play. That's why we further enabled voluntary regional growth boards through enhanced legislation and fostering opportunities to work together to address pressures that cross boundaries.

Our government also recognizes we can improve how we operate, and that a more integrated and focused approach to program delivery can offer greater productivity and results. Under results-based budgeting, recommendations were made to consolidate the Municipal Sustainability Initiative Capital program and the Basic Municipal Transportation Grant under the Municipal Sustainability Initiative and for the transfer of the administration of the Basic Municipal Transportation Grant, and the Building Canada – federal Gas Tax Fund programs to Municipal Affairs. These changes will provide more efficient and flexible support for municipal projects, and keep significant funding flowing to address local priorities.

The results-based budgeting approach also guided improvements to technology support for public libraries by moving this funding and function directly under the responsibility of Municipal Affairs. Aligning and expanding on our efforts in providing e-content to public libraries through the provincial network will mean better library service for all Albertans.

Public safety is also critical to our quality of life, and continued efforts to strengthen building codes was part of that, while peace of mind will be further enhanced through implementation of the *New Home Buyer Protection Act* and the guarantee that every new home will have a warranty.

While much of our ministry work took centre stage and garnered attention on the national and international stage, so much of our everyday ministry work quietly and strategically moves forward to strengthen our province.

This work included assessment of local tax bases, guiding municipal restructuring, and advice to local councils and administration. In particular, this past year we provided assistance to Alberta's 347 municipalities to ensure they were able to conduct open, transparent and democratic elections. Effective elections are critical to good governance and to the future of our communities, big and small.

These are just a few highlights of the tremendous work undertaken by Municipal Affairs on behalf of Albertans over the past year. I am proud to report that together with our many partners we continue to make Alberta a great place to call home.

[Original signed by Greg Weadick]

Honourable Greg Weadick
Minister of Municipal Affairs

Spring 2013 Alberta Floods

The ministry's efforts to respond to the spring 2013 Alberta floods supported multiple business plan goals. Rather than report the ministry's contribution under each goal, an overall report is provided below. As well, because of the scope of the disaster, the Government of Alberta established the Flood Recovery Task Force to address the needs of flood-impacted Albertans and take the lead on recovery. The task force brought together public servants from across government, helped facilitate strategic inter-ministry co-operation and was able to make important decisions relating to flood recovery quickly and effectively. The focus below is on the activities and results of Municipal Affairs. Activities and results of other ministries can be found in their respective annual reports.

Spring Flooding a Major Challenge for Municipal Affairs

The most significant event that drew on the ministry's resources and expertise in 2013 was the devastating flooding that occurred in southern Alberta and the Regional Municipality of Wood Buffalo in the spring. The southern Alberta floods, in particular, were unprecedented in magnitude, and Alberta municipalities required substantial support for their local recovery efforts. To assist municipalities in meeting these urgent demands, the ministry redeployed staff, reassigned roles and responsibilities, reallocated budgets, postponed several initiatives, and worked closely with communities to identify and deliver appropriate support. The success of response and recovery efforts required close collaboration and a high degree of co-ordination within the ministry, across the Government of Alberta, and throughout the affected areas.

Alberta Emergency Management Agency

The Provincial Operations Centre, managed by the ministry's Alberta Emergency Management Agency, monitors all actual, emerging or potential emergency situations, within and outside the province, where there is the potential to impact citizens or the interests of Alberta. When a higher level of activation is required the centre draws on a large team of emergency management professionals from across government and external partners and stakeholders to co-ordinate a government-wide approach to managing emergency events.

The ministry's Provincial Operations Centre went into a high level of activation in response to the flooding in the Regional Municipality of Wood Buffalo including Fort McMurray, Fort McMurray First Nation and potential concerns to the Chipewyan First Nation. The activation continued on high when widespread flooding hit southern Alberta and resulted in 30 State of Local Emergency declarations and one Provincial State of Emergency. The Provincial Operations Centre was at this heightened state for 24 days and acted as the co-ordination node in support of the resulting Disaster Recovery Program (DRP), well into the fall. In total, the Provincial Operations Centre was elevated for 179 days in 2013; the vast majority of this effort was directly related to the 2013 flooding.

Through the Provincial Operations Centre Augmentation Program, the ministry was able to call on volunteers with emergency management training from across the Government of Alberta to fill a variety of staff positions within the Provincial Operations Centre and this allowed the ministry to meet the demands of responding to the spring flooding in both southern Alberta and the Regional Municipality of Wood Buffalo area.

Support for Rebuilding and Recovery

The spring flooding put a serious strain on the capacity of many municipalities to move forward with recovery efforts. From the outset, Municipal Affairs' staff worked closely with municipal administrators to understand local issues and identify the type of assistance needed for rebuilding and recovery. In the early phases of the disaster, Municipal Affairs mobilized provincial resources and acted quickly to connect municipalities with resources that ensured local officials had the capacity to respond to the immediate emergency. Ministry officials also recognized the enormity of the work that would need to be undertaken, over the longer term, by communities impacted by the flooding. With a view to these long-term challenges, a number of initiatives were put into motion to ensure municipalities would have the resources needed to proceed with rebuilding and recovery.

The 2013 Southern Alberta Disaster Recovery Program

The extraordinary flooding and subsequent damage experienced in southern Alberta fully engaged the resources of the Alberta Emergency Management Agency, as they responded to the province's largest natural disaster, with the largest Disaster Recovery Program (DRP) in Canadian history. Within 12 days of the start of the flooding, Disaster Recovery Registration Centres began accepting applications from homeowners, tenants, small businesses, agricultural operations and non-profit associations. By November 30, 2013, 10,478 applications were received and total assistance, including municipal and provincial infrastructure repairs and emergency operations costs, was estimated at $3.1 billion.

In response to the scope and severity of damage, a number of initiatives were undertaken to improve program delivery and meet applicants' needs:

- significant recruitment of new staff supported all operations, and expanded policy and operational capacity;
- satellite, as well as mobile, DRP offices were opened in southern Alberta to better serve Albertans;
- an insurance advisory group was established to support the DRP in resolving residential claims with complex insurance issues;
- a Government of Alberta DRP call centre was established;
- a specialized team was established that identified priority small business applications and worked on them through to completion; and
- an independent appeals branch was created, where applicants could appeal decisions on assistance provided to them under the program.

The Southern Alberta Flood Response Program

One ministry initiative that was designed to deal with long-term challenges was the development of the Southern Alberta Flood Response Program. This program, based on challenges identified by affected municipalities, was put into place by July 2013. The program involves two types of grants aimed at helping municipalities increase their capacity to address flood-related issues. The program was designed to accelerate grant processes and grant agreement packages for quick distribution of financial support, and to ensure accountability around the use of provincial funds.

Municipal Staffing Capacity

When disaster strikes, the pressures exerted upon municipal leaders, staff and resources can be severe. In the aftermath of the widespread destruction of the 2013 flooding, many municipalities had a critical need for additional staff to help them move forward with recovery efforts, while continuing to provide core, day-to-day, municipal services.

Under the program, municipalities were able to apply for funding to hire additional staff to address the increased workload involved in restoring vital services, repairing flood damage to local infrastructure, and other flood-related work. These positions could include, among others, flood-recovery managers, public works operators, utility operators, engineers, planners, planning support staff, financial support staff, Family and Community Support Services staff and youth workers. A total of $25 million was allocated to this need over a three-year timeframe.

Revenue Stabilization

The Southern Alberta Flood Response Program also offers financial assistance to municipal councils that forgave property taxes for property owners who lost the use of their homes or businesses because the property was deemed uninhabitable. This funding – up to $84 million over three years – will help offset municipal losses in tax revenues, and ease the financial burden on severely affected residents. Municipalities also receive funding to help offset the tax revenues lost from houses that were purchased by the province as part of the Floodway Relocation Program.

Flood Recovery and Reconstruction Act

The vast flood damage of 2013 highlighted the need for protection of Alberta residents from future flood events. In the fall of 2013, legislative changes were made to enable regulations to be adopted that will better manage development in floodways. These changes will limit potential damages and risks to public safety from possible future flooding.

The *Flood Recovery and Reconstruction Act* also amended the *Municipal Government Act (MGA)* to allow the province to modify, or temporarily exempt a municipality from one or more requirements of the *MGA* and the municipal land-use bylaw in order to expedite decisions in an emergency situation where public safety may be at risk. This type of legislative provision enabled the Town of Okotoks and the Municipal District of Bighorn to expedite processes for temporary housing and business development after the floods. In these instances, the municipalities were granted exemptions on a temporary basis from requirements of the development approval process.

Impacts on Housing

Over 100,000 Albertans were displaced by the southern Alberta floods, with over 56,000 receiving provincial flood relief payments because they were displaced for more than seven days and under an evacuation order. As well, more than 15,000 homes were reported damaged and nearly 5,000 Albertans indicated a need – through a provincial registry – for interim housing, including those impacted on the Stoney and Siksika First Nations reserves.

Arrangements were made for many residents to receive emergency accommodations, while staff continued to plan for interim and long-term temporary housing needs.

To inform the safe development and future residential environment of these neighbourhoods, government developed specific measures for their construction and ongoing protection against fire and emergencies. This work provided residents with a degree of safety equivalent to that of a regular community and all stages of development were dependent on these measures being met.

Disaster Recovery Housing Branch

Some staff were temporarily involved in recovery efforts, while others were permanently allocated to the newly developed Disaster Recovery Housing Branch. This new branch co-ordinated operations for the Provincial Housing Registry, the development of the New Temporary Neighbourhoods, and transitioning of over 6,000 evacuees remaining in evacuation centers, hotels, and college dormitories to other housing options. There was significant co-ordination required between local stakeholders, government, agencies, and private organizations to develop housing solutions. On behalf of Aboriginal Affairs, the Disaster Recovery Housing Branch also managed the housing plan on the two First Nations, including: inspections, repairs, relocations, rebuilds and interim housing for over 750 homes and over 2,000 people.

The response also included the development of an assessment plan to determine investments required for flood mitigation for the over 2,000 government-owned and -supported social housing and seniors lodge properties that were impacted.

Public Safety Services

The southern Alberta floods also required significant work from Municipal Affairs' provincial safety codes officers, fire service officers and management. Initially, staff supported work in the Provincial Operations Centre by assisting with plans and resourcing.

Soon after, search and rescue teams and Municipal Affairs' staff formed the rapid assessment structural safety teams and damage assessment teams, which assessed the safety of buildings impacted by the flooding. These teams provided information to municipalities on the status of houses in their community and catalogued the reports of their assessments. This information also supported Disaster Recovery Program assessments and has been a key contributor to the DRP. Ongoing support was given to ensure compliance with Disaster Recovery Program files, and this information was also used to create maps for the Flood Recovery Task Force to facilitate stabilization and recovery efforts.

Staff also provided assistance and guidance to accredited agencies that were providing permits and conducting inspections. This expertise was shared with contractors, municipalities and fire services. To meet the special challenges in High River, the ministry provided a dedicated provincial safety codes officer to the municipality as a flood-recovery resource.

Temporary Fire Stations

Provincial fire service officers provided extra support to High River as 90 per cent of their firefighters were impacted by the floods. This work included developing temporary fire stations for the community to ensure the continued ability to respond to emergencies. The locations of the temporary stations took into consideration a reasonable response time to the temporary neighbourhoods. Staff also worked with the municipality to support the fire department's long-term sustainability.

Flood Mitigation

The floods showed a need for governments to be more proactive in flood mitigation activities. Municipal Affairs developed policies to support flood mitigation efforts during reconstruction from the southern Alberta floods. Flood mitigation measures were established for housing in the flood fringes that would encourage people to build houses that have extra protection from floods. If a homeowner chooses to build in a flood fringe without the flood mitigation measures, they will not be eligible for future Disaster Recovery Program funding. The flood mitigation measures for individual homes and small businesses are an initial step toward improved flood resilience for communities in Alberta.

Standard flood mitigation strategy is to protect against water damage and intrusion. During the southern Alberta floods, the water was contaminated with fecal matter and other contaminants that created health hazards such as mould. As a result, and in response to public input, the flood mitigation strategy was adjusted to allow for "easy to install and easy to remove" materials that minimize the costs of renovation and removes the potential health hazards from mould and other toxic contaminants.

Ministry staff also worked with municipalities on flood mitigation measures. This included advice to municipalities, industry, and homeowners on flood mitigation policies and how to rebuild their communities and homes in a way that would reduce the impacts of future disasters.

As well, the response to the 2013 Alberta floods included drafting an assessment plan to support the flood mitigation of the government-owned social housing properties.

A Responsive and Flexible Public Service

The magnitude of the floods and the devastation in southern Alberta and the Regional Municipality of Wood Buffalo required an immediate shift in activity for many areas of the ministry as the scope and scale of resources needed was varied and significant. Priorities, roles and responsibilities of the ministry's employees shifted as they focused on flood response and recovery related work.

Management's Responsibility for Reporting

The Ministry of Municipal Affairs includes the Department of Municipal Affairs, the Special Areas Board, seven Improvement Districts, the Alberta Social Housing Corporation and the Safety Codes Council.

The Department of Municipal Affairs consists of the Local Government Services Division, the Municipal Government Board, the Housing Division, the Public Safety Division, the Alberta Emergency Management Agency and the Corporate Strategic Services Division.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Municipal Affairs. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- **Reliability** – information agrees with underlying data and the sources used to prepare it.
- **Understandability and Comparability** – current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- **Completeness** – performance measures and targets match those included in Budget 2013.

CONTINUED ON NEXT PAGE...

CONTINUED FROM PREVIOUS PAGE

As Deputy Minister, in addition to program responsibilities, I am responsible for the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board, the Minister of Finance and the Minister of Municipal Affairs information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Management Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by Andre Corbould]

Andre Corbould
Deputy Minister of Municipal Affairs
June 5, 2014

RESULTS ANALYSIS

Ministry Overview

The Ministry of Municipal Affairs

The Ministry of Municipal Affairs helps ensure Albertans are served by enduring, collaborative and accountable local governments; live in strong, safe and viable communities; and have access to affordable housing options.

The Ministry of Municipal Affairs includes the Department of Municipal Affairs, the Special Areas Board, seven Improvement Districts, the Alberta Social Housing Corporation and the Safety Codes Council.

The Department of Municipal Affairs consists of the Local Government Services Division, the Municipal Government Board, the Housing Division, the Public Safety Division, the Alberta Emergency Management Agency and the Corporate Strategic Services Division.

The Department of Municipal Affairs

Local Government Services Division

The Local Government Services Division supports municipalities in providing Albertans with strong and effective local government.

The division administers several grant programs, including the Municipal Sustainability Initiative, which reflects the government's funding commitments to municipalities.

As well, the division leads a number of strategic initiatives, including the *Municipal Government Act (MGA)* review and the Municipal Sustainability Strategy, and provides support for the planning and operational activities of the Capital Region Board and the Calgary Regional Partnership.

The Local Government Services Division also oversees policy and procedures for property assessment, reviews and audits municipal property assessments, and determines each municipality's share of the provincial education property tax. The division also assesses linear property, such as oil and gas wells, pipelines, electric power systems and telecommunication systems for municipalities.

The division provides advisory services, training, internship programs, and other forms of assistance to support municipalities in building capacity and strengthening long-term viability, and is a source of information on municipal election matters. It also fosters municipal cooperation through land-use planning assistance, mediation programming, and financial support for intermunicipal collaboration.

Municipal Government Board

The Municipal Government Board conducts independent, quasijudicial adjudication functions required by the *MGA* with respect to assessment appeals of linear properties (e.g., pipelines, oil and gas wells, and power generation plants), equalized assessment appeals, subdivision appeals, annexation recommendations, intermunicipal disputes and other matters referred to the board by the Minister of Municipal Affairs or Lieutenant Governor in Council. The Municipal Government Board also provides a member to municipal Composite Assessment Review Boards to adjudicate property assessment complaints.

Housing Division

The Housing Division partners with organizations, including municipalities, housing management bodies, non-profit and private sector organizations, in order to contribute to the inclusion, well-being, and

independence of lower-income Albertans through safe, sustainable and affordable housing, and assisting urban communities with addressing their unique housing needs.

The division supports housing management bodies in maintaining and revitalizing the province's existing housing portfolio by monitoring agreements related to affordable housing units; ensuring the operations of government-owned and -supported social housing units are managed effectively; providing support and operational funding to the seniors lodge program; and managing the delivery of the rent supplement programs, and grant initiatives.

Public Safety Division

The Public Safety Division administers a framework of safety codes and standards, supports Alberta's fire services, oversees a mandatory new home warranty framework, and provides related support and advice to municipalities.

The division administers the *Safety Codes Act*, which establishes codes, standards and administrative processes in 10 disciplines: building, fire, plumbing, gas, electrical, elevators, amusement rides, passenger ropeways (i.e., ski lifts), pressure equipment, and private sewage disposal systems.

The division provides support and advice to fire departments and municipalities on matters related to fire service, and works with government departments, municipalities, First Nations and other stakeholders to promote fire and injury prevention and support effective community risk-management. The division also supports the search and rescue sector of the public safety system by offering grants and training support.

The New Home Buyer Protection Office is responsible for overseeing and enforcing the *New Home Buyer Protection Act*, which establishes regulatory requirements for the mandatory new home warranty.

The division also provides technical advice and program support to municipalities, industry and the public. It works with the Safety Codes Council to assist and monitor municipalities, corporations, and three delegated administrative organizations that have been accredited to administer safety codes and standards. As well, the division oversees the agencies that deliver permit and inspection services in municipalities that are not accredited to deliver these services.

Alberta Emergency Management Agency

The Alberta Emergency Management Agency (AEMA) co-ordinates with emergency management partners to provide a provincewide public safety system that protects Albertans, their property, the environment, and the economy against all hazards. This includes the co-ordination of emergency or disaster response and recovery activities, as well as providing direct assistance to local authorities where required. The AEMA provides strategic policy direction and leadership through the co-ordination of emergency management programs that include aspects of mitigation, prevention, preparation, response, and recovery.

The AEMA supports the continuous improvement of Alberta's public safety system and assists with the development of sustainable emergency management capabilities, emergency social services, emergency 911 support to Public Safety Answering Points and amateur radio operators in Alberta's communities, industries, and government. The AEMA collaborates with provincial, territorial, federal and international stakeholders to promote a comprehensive approach to emergency management that enhances the safety of all Albertans.

The AEMA actively participates in national and international public safety forums to contribute to the advancement and implementation of emergency management doctrine, policies and strategies that improve the ministry's and its partners' capabilities. This includes participation in the Canadian Council of Emergency Management Organizations (provinces and territories), and the senior officials responsible for emergency management (provinces, territories and federal government) and all working groups

established within these forums. In many cases Alberta provides leadership to these national and federal working groups. The AEMA also maintains close operational liaison with our neighbours, including the State of Montana and has established a national mutual aid agreement with all other provinces and territories that increases the capacity and resiliency of all partners.

Corporate Strategic Services Division

Corporate Strategic Services Division enables the achievement of the ministry's outcomes through strong financial services, information management, legislative and administrative services, strategic business planning and policy, information technology and support for public library services.

The Public Library Services Branch provides leadership in provincial public library policy development, supports the provincewide public library network in their provision of library services, and provides operating funding to municipal and regional library system boards to help them capitalize on the use of technology and share library resources across the province.

Other Entities and Supports

Special Areas Board

The Special Areas Board is appointed by the Lieutenant Governor in Council and is responsible for the management and administration of 2.6 million acres of public land located in southeastern Alberta and municipal services to the residents of these areas.

Improvement Districts

Municipal Affairs provides limited municipal services in seven improvement districts, including Waterton National Park, Banff National Park, Jasper National Park, Elk Island National Park, Wood Buffalo National Park, Willmore Wilderness Park, and Improvement District No. 349 (located in northeastern Alberta). The Government of Alberta, through Municipal Affairs, is responsible for all functions of local government in these improvement districts, including the levy and collection of taxes.

Alberta Social Housing Corporation

The Alberta Social Housing Corporation operates under the *Alberta Housing Act*. The corporation owns and administers the province's portfolio of 26,000 units of seniors' lodge and social housing, and manages agreements for its housing assets. It works with community-based housing management bodies to provide lodge and social housing options for lower-income Albertans, including individuals, families, seniors and those with special needs.

Safety Codes Council

The Safety Codes Council is a corporation established under the *Safety Codes Act*. Its responsibilities include assisting government in the formulation of Alberta's safety codes and standards and advising the Minister on related matters; training and certifying safety codes officers; accrediting municipalities and corporations to administer the Act; and accrediting agencies that provide services to accredited entities. The council also administers an appeals process for decisions made under the *Safety Codes Act*.

Support Services

Support Services include Legal Services, Human Resources, and Communications.

Review Engagement Report

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measure identified as reviewed by the Office of the Auditor General in the Ministry of Municipal Affairs' Annual Report 2013-2014. The reviewed performance measure is the responsibility of the ministry and is prepared based on the following criteria:

- *Reliability*–The information used in applying performance measure methodology agrees with underlying source data for the current and prior years' results.
- *Understandability*–The performance measure methodology and results are presented clearly.
- *Comparability*–The methodology for performance measure preparation are applied consistently for the current and prior years' results.
- *Completeness*–The goal, performance measure and related target match those included in the ministry's budget 2013.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measure. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measure in demonstrating ministry progress towards the related goal.

Based on my review, nothing has come to my attention that causes me to believe that the performance measure identified as reviewed by the Office of the Auditor General in the ministry's annual report 2013-2014 is not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

March 31, 2014

Edmonton, Alberta

Performance measure reviewed by the Office of the Auditor General is noted with an asterisk (*) on the Performance Measures Summary Table.

2013-14 Performance Measures Summary Table

Goals and Performance Measures	Prior Years' Results				Target	Current Actual
Goal 1: *Enhanced long-term viability and accountability of municipalities and their communities*						
Measure 1.a: Usage of public library services by Albertan households	67% *2009-10*	63% *2010-11*	62% *2011-12*	59% *2012-13*	70% *2013-14*	57% *2013-14*
Measure 1.b: Percentage of municipalities meeting the ministry's criteria of financial accountability as established in the *Municipal Government Act*	97% *2009-10*	98% *2010-11*	98% *2011-12*	98% *2012-13*	98% *2013-14*	99% *2013-14*
Measure 1.c: Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity and equity	97% *2009-10*	99% *2010-11*	99% *2011-12*	98% *2012-13*	98% *2013-14*	100% *2013-14*
Goal 2: *Fair, timely and well-reasoned decisions are provided on matters before the Municipal Government Board as set out in the Municipal Government Act and related regulations*						
***Measure 2.a:** Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the Board's performance of services in support of planning, annexation, linear, and equalized assessment appeals	87% *2009-10*	86% *2010-11*	88% *2011-12*	84% *2012-13*	80% *2013-14*	91% *2013-14*
Goal 3: *Low-income Albertans have access to a range of safe and affordable housing options and services*						
Measure 3.a: Number of affordable housing units approved for development	3,289 *2009-10*	2,011 *2010-11*	1,212 *2011-12*	0 *2012-13*	200 *2013-14*	0 *2013-14*
Goal 4: *Community and regional capacity for public safety is enhanced through appropriate technical standards and support initiatives, enforcement, and strong collaborative risk management frameworks*						
Measure 4.a: The percentage of assessed accredited municipal entities, corporations, agencies and delegated administrative organizations administering the *Safety Codes Act* that achieve a satisfactory rating	95% *2009-10*	97% *2010-11*	98% *2011-12*	94% *2012-13*	98% *2013-14*	95% *2013-14*
Measure 4.b: Fire deaths per 100,000 population (10-year moving average)	0.98 *2009-10*	0.95 *2010-11*	0.87 ° *2011-12*	0.84 *2012-13*	(less than or equal to the 2012-13 actual)	0.83 *2013-14*

° Note: The total number of deaths reported for 2011-12 was revised from 28 to 26. The casualty reports were submitted late by the responding fire department. The Medical Examiner's Office confirmed that two deaths were not fire related. The revised total of 26 was used in calculating the 2011-12 fire death rate. The hard copies of fire death incident reports for 2011-12 will be made available for audit verification, if required.

* Indicates performance measures that have been reviewed by the Office of the Auditor General. The performance measure indicated with an asterisk was selected for review by ministry management based on the following criteria established by government:

- enduring measures that best represent the goal;
- measures for which new data is available; and
- measures that have well established methodology.

CONTINUED ON NEXT PAGE

CONTINUED FROM PREVIOUS PAGE

Goals and Performance Measures	Prior Years' Results				Target	Current Actual
Goal 5: *Albertans are protected from the effects of disaster and emergency events through a coordinated and all hazards focused public safety system*						
Measure 5.a: Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received	100% *2009-10*	100% *2010-11*	100% *2011-12*	100% *2012-13*	100% *2013-14*	95% *2013-14*
Measure 5.b: Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years	91% *2009-10*	81% *2010-11*	85% *2011-12*	81% *2012-13*	94% *2013-14*	84% *2013-14*

For more detailed information see 2013-14 Performance Measures Data Sources and Methodology (on pages 18-23).

2013-14 Performance Measures Data Sources and Methodology

Goal 1: Enhanced long-term viability and accountability of municipalities and their communities

1.a Usage of public library services by Albertan households

Data Source: Alberta Culture and Alberta Municipal Affairs – 2014 Survey of Albertans on Culture. The survey was performed by Leger Marketing, a private sector marketing and research firm operating in Edmonton. A copy of the survey and results is retained by the Public Libraries Services Branch, and is available in electronic form.

Methodology: A total of 1,000 interviews were conducted with Alberta residents over the age of 18; specifically, 315 from Edmonton, 231 from Calgary, 106 from small cities in the north of the province, 72 from small cities in the south, 149 from the rural north, and 127 from the rural south. Data was collected between February 13, 2014 and March 2, 2014. Results are weighted by age, gender and region to ensure demographic representation. Results of the survey for a sample size of 1,000 are deemed accurate within 3.1 percentage points, 19 times out of 20.

1.b Percentage of municipalities meeting the ministry's criteria of financial accountability as established in the Municipal Government Act

Data Source: The data used to calculate this measure comes primarily from the annual audited financial statements and the financial information returns that municipalities must submit to the Minister of Municipal Affairs by May 1 for each year, pursuant to the *Municipal Government Act* (*MGA*).

Local Government Services Division staff prepare the data, complete the required calculations, and supply the supplementary information used for this measure. The information is collected for administrative purposes, as well as for tabulating the measure.

The data used to calculate this measure is reported based upon a calendar year, which is the fiscal year for municipalities, and are from the calendar year prior to the fiscal year in which they are reported (e.g., for 2013-14 annual reporting, Municipal Affairs reports municipal results from the 2012 calendar year). Financial data is stored in the Municipal Financial Information System.

Methodology: The required data is obtained from the Municipal Financial Information System using Microsoft Access and is compiled in Microsoft Excel.

Point scores are calculated using Microsoft Excel formulas where possible. Points for Section 282 of the *MGA* must be entered manually, as would supplementary information regarding Section 252 (debt limit extensions).

The measure is calculated based on a demerit point system weighting the criteria as set out in Sections 252, 278 and 282 of the *MGA*. Municipalities meeting or exceeding 100 points are considered to be outside of the criteria for achieving financial accountability. Scores of 100 points or more are considered a solid indicator of an accountability problem and, if continued, would likely indicate a loss of financial accountability.

Public sector accounting standards require that, beginning in 2009, municipal financial

statements report using the net assets (debt) presentation model. Fund accounting is no longer used for reporting purposes, and financial reporting is now expense-based rather than expenditure-based. Tangible capital assets are now recorded and amortization is included as an expense.

Section 244 is no longer relevant given the accounting standards in place for the 2009 annual audited financial statements. Because of this, the data collected from municipalities for 2009 is not directly comparable to prior years' data. The underlying accounting processes have changed and consequently there is no way to produce or to estimate comparable data.

The *MGA* will be updated as part of the ongoing comprehensive review of the legislation to more accurately reflect the accounting standards. The Municipal Finance Clarification Regulation was enacted as a transitional measure, and Section 4 of the regulation provides a more appropriate measure of "deficiency" in the new environment.

1.c *Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity and equity*

Data Source: By no later than February 28 of each year, all municipalities are required by the Alberta Assessment Quality Minister's Guidelines to submit property assessment and sales data. Municipalities upload their data directly into the province's web-based application, Assessment Shared Services Environment (ASSET), through their Computer Assisted Mass Appraisal systems. Examples of the type of information submitted include the properties' assessed value, the sale price of properties sold, property legal descriptions, and property characteristics.

The calculation of median assessment ratios and assessment levels are part of stage one of the annual audit. The annual audit program is an important tool in measuring mass appraisal performance. Through assessment to sales ratio studies, the Assessment Audit Unit compares municipal assessments to market value indicators and verifies whether municipal assessments meet regulated quality standards. The fiscal year for municipalities is the calendar year. Consequently, the assessment audit cycle the data upon which the 2013-14 measure is based reflects values and inventory from the 2012 assessment year.

Methodology: Under the Matters Relating to Assessment and Taxation Regulation, the quality standard states that the acceptable range for median assessment ratios is between 0.95 and 1.05. This means that property assessments, on average, should be fairly close to the market value as indicated by sales within the municipality.

The ASSET system calculates ratios of assessment to market value (determined by dividing the assessment by the sale price or indicator of market value) for sold properties.

The median assessment to sales ratio is then calculated for each value by the property type (single family dwelling, residential condominiums, improved industrial, etc.). Each median is then weighted by its respective total assessed value for that strata and a weighted median is calculated for each of the two assessment classes (residential and non-residential). The percentage of municipalities whose assessment levels fall within the acceptable range of 0.95 and 1.05 for each class is determined. The performance measure is the average of these two percentages.

Goal 2: Fair, timely and well-reasoned decisions are provided on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations

2.a Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the Board's performance of services in support of planning, annexation, linear and equalized assessment appeals

Data Source: A client satisfaction survey of hearing participants was conducted in May and June 2013, by Resinnova. Hearing participant information is obtained from Municipal Government Board's (MGB) Case Inc. database.

Methodology: Hearing participant contact information is gathered by MGB staff and forwarded to Resinnova. The scale used is a five-point, anchored satisfaction scale that asks respondents to respond with the following: strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree.

Municipal Government Board – Information is gathered from the MGB databases for the purpose of identifying all participants who attended MGB hearings. Simple queries are performed to compile a list of all appellants, respondents, and interveners in attendance at hearings. Lists of attendees at annexation and subdivision hearings are compiled separately and these email addresses or phone numbers are forwarded to Resinnova as well.

The MGB requires Resinnova to contact and survey all hearing attendees in order to get the highest possible response rate. To achieve this high standard, online and telephone surveys are conducted by an independent consultant. For the 2013-14 fiscal year, the response rate was 84 of 158 eligible clients or 53 per cent.

Composite Assessment Review Boards – MGB staff schedule all board members for Composite Assessment Review Board (CARB) hearings, and track their activity using the MGB database. From the database a list of all municipalities in which MGB members attended as presiding officers is produced. In addition, all municipalities that submitted complaint applications to the MGB are placed on a list for contact for a future survey. For the 2013-14 fiscal year, the response rate was 42 of 50 CARB clients, or 84 per cent.

Goal 3: Low-income Albertans have access to a range of safe and affordable housing options and services

3.a Number of affordable housing units approved for development

Data Source: Data for this measure is maintained by the Housing Division and collected when affordable housing units and related capital funding is approved for development by the Minister of Municipal Affairs.

Methodology: The Housing Division counts the number of affordable housing units approved for development in a given fiscal year, as updated on housing plans as of March 31, 2014.

A total of zero additional affordable housing units were approved for development in the 2013-14 fiscal year. A long-term real estate strategy for the repair, regeneration and, where appropriate, replacement of the existing housing portfolio is now in place, and the subsequent redirection of capital investments to government-owned and -supported housing focused on the redevelopment of existing seniors lodge accommodation.

Note this five-year affordable housing initiative has now come to a close; this performance measure has been replaced in the Municipal Affairs 2014-17 Business Plan.

Goal 4: Community and regional capacity for public safety is enhanced through appropriate technical standards and support initiatives, enforcement, and strong collaborative risk management frameworks

4.a The percentage of assessed accredited municipal entities, corporations, agencies and delegated administrative organizations administering the Safety Codes Act that achieve a satisfactory rating

Data Source: Data is obtained from a series of checklists used to monitor and assess the accredited organizations in their administration of the safety code system throughout the year. There has been no change in data collection methods used for accredited municipalities, corporations, authorized accredited agencies and Delegated Administrative Organizations (DAOs). The municipal and corporate checklist questions have been updated to reflect the current quality management plans, which govern how accredited organizations administer the *Safety Codes Act* in their jurisdiction.

Methodology: A benchmark of 70 per cent has been adopted as a satisfactory rating. The percentage of overall scores is computed for accredited municipal entities, corporations, agencies and delegated administrative organizations. This percentage is then weighted by the number of organizations assessed to produce the key performance statistic. Assessments were conducted between January 1 and December 31, 2013.

Accredited municipalities and corporations

Accredited municipalities and corporations are assessed at least once every three years on a rotating schedule, which is revised annually as entities' accreditation status changes. The files selected are from files closed in a recent 12-month period preceding a monitoring field visit. During the year, data is gathered by department staff for accredited municipalities and corporations and a score is computed for each completed checklist. The checklist scores for the quality management plans for each discipline administered by an organization are then averaged to produce an overall score for that organization.

Each year, the schedule for monitoring accredited municipalities and corporations is determined as follows:

1) start with the prescribed one-third list;
2) add all those accredited entities from the previous year that scored less than satisfactory;
3) add municipal entities and corporations newly accredited in the previous year to the years' prescribed one-third list;
4) remove accredited entities that dissolved or discontinued their accreditations from the list;
5) where justified, remove organizations that request their monitoring to be postponed until the next year from the list; and
6) remove accredited corporations that have not engaged in activities that fall under the *Safety Codes Act* (these are carried forward until the corporation resumes activity).

Delegated Administrative Organizations and Authorized Accredited Agencies

All three Delegated Administrative Organizations (the Petroleum Tank Management Association of Alberta, the Alberta Elevating Devices and Amusement Rides Safety Association, and the Alberta Boilers Safety Association) are formally monitored and assessed annually in the same manner as previous years. DAO liaisons provide continuous assessment throughout the year.

All authorized accredited agencies are monitored and assessed monthly, closed files are reviewed quarterly, and administrative components and performance are reported annually.

4.b Fire deaths per 100,000 population (10-year moving average)

Data Source: The primary data source is from fire investigation reports submitted to the ministry by safety codes officers. These reports are required under Section 9 of the Administrative Items Regulation AR 16/2004 under the *Safety Codes Act*. Safety codes officers, who investigate the causes and circumstances of a fire, must immediately notify the Fire Commissioner if the fire has resulted in loss of life. Additional data sources of information on fire deaths come from insurance companies and adjusters, Medical Examiner's Office, and the police departments.

The total number of fire deaths is revised as information is received from these sources. Alberta Official Population data is obtained from the Alberta Municipal Affairs website.

Methodology: The Fire Statistics Reporting Manual and fire incident reports are posted on the Office of the Fire Commissioner website to enable reporting agencies easy online access to fire reporting.

The data is collected in either hard copy or electronically through the Fire Electronic Reporting System. Data from the hard copies is entered into the system and validated. Then the fire death figures are extracted using a Statistical Analysis System software program and manually entered into a Microsoft Excel spreadsheet. Alberta population figures are then entered into the spreadsheet to calculate the fire death rates, which are plotted in a bar-chart as 10-year moving averages. The data and the measure relate to a calendar year, which is consistent with reports produced by Statistics Canada and other jurisdictions, enabling comparisons.

The formula for the fire death rate for each year is as follows:

$$\left(\frac{\text{Revised number of fire deaths per year}}{\text{Population}} \right) \times 100{,}000$$

The fire death rate for the current year and each of the preceding nine years are averaged to produce the 10-year moving average statistic.

Goal 5: Albertans are protected from the effects of disaster and emergency events through a coordinated and all hazards focused public safety system

5.a Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received

Data Source: Separate files are maintained for each application within each program. Information contained in these files is entered into a Microsoft Access disaster recovery database. The disaster recovery database tracks all applications received, as well as activities related to the processing of each application made under a Disaster Recovery Program.

Methodology: All applications are collected in a separate database established for each Disaster Recovery Program. The database records are a record of all dates pertinent to the administration of the program and can be queried at any time. A query is done on the database to identify all applications received within the measurement period and their corresponding evaluation date. The measurement period is the fiscal program year from April 1, 2013 to March 31, 2014.

The database is used to identify the number of disaster recovery applications and the number of those applications where the evaluator arrived on site within 30 days of receipt of the application. The database records all pertinent dates for the administration of the program and

can be queried at any time. A query is done on the database to identify all applications received within the measurement period and their corresponding evaluation date. The performance measure is calculated as a simple percentage: the number of applications that satisfy the 30-day criterion divided by the total number of applications.

Receipt of application is the day the application is stamped as received at the program office. Where there is an issue of eligibility, requiring additional investigation and supporting documentation, the date upon which the applicant is contacted and the request is made for additional documentation, is the date used to measure the length of time it takes for an evaluation to be made. Eligible applications are those that fall within the parameters of the program approval document authorized by the Minister. For example, an application for a property that is outside the approved program boundaries would be deemed ineligible.

5.b *Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years*

Data Source: An Alberta Emergency Management Agency database records the number of municipalities that have exercised their emergency management plan within the past four fiscal years – either through a co-ordinated exercise or an actual event. The data source is comprised of information submitted into the database by the field officers of the Alberta Emergency Management Agency.

The database is in Microsoft Access, and internally managed to allow for continuous improvement of tracking and security of information. Reports are generated from this database to identify the municipalities that have exercised their plans during the fiscal four-year period.

Population data for calculating percentages of population exercised is extracted from the annual Municipal Affairs Population List available on the Municipal Affairs website.

Methodology: A schedule is established that outlines how all municipalities will hold an emergency management exercise at least once every four fiscal years. All real events where the municipal emergency plan was activated are included, when and as they happen, replacing the scheduled exercise in the calculation. All Field Officers compile and submit quarterly reports to the manager of field operations and update the Field Operations Activity Database at the same time. The Manager of Field Operations pulls a four-year cumulative report for the current exercise window. This information is used to verify the required exercises or events for the municipality. If an exercise is a repeat, it is not included in the measure. The percentage is calculated by summing all qualified exercises or events for the municipality and dividing it by the total number of municipalities.

Discussion and Analysis of Results

Goal 1: Enhanced long-term viability and accountability of municipalities and their communities

Municipal Sustainability Strategy

Significant progress was made in implementing the Municipal Sustainability Strategy, which the Alberta government approved in 2012 as an initiative to support municipalities in strengthening their long-term viability. The strategy helps municipalities identify their strengths and weaknesses, assess their viability, and engage with citizens and neighbouring municipalities to resolve challenges. In the spring 2013 sitting of the Legislative Assembly, the *Municipal Government Act (MGA)* was amended via Bill 17 to enable the ministry to fully adopt the viability review process that was developed as a key component of the strategy. This legislation authorizes the Minister of Municipal Affairs to undertake a municipal viability review, and to take appropriate action after the viability review is completed.

The new viability review process replaced the dissolution study process formerly used by the ministry. The new process takes a more proactive, inclusive and innovative approach to assessing a municipality's strengths and identifying actions to achieve viability. In 2013-14, the ministry began piloting this process in five municipalities and will continue to develop the process based on feedback from these pilots.

The Municipal Sustainability Strategy was developed collaboratively with the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, the Local Government Administration Association, the Alberta Rural Municipal Administrators' Association, and the Association of Summer Villages of Alberta. A stakeholder advisory committee of representatives from the five associations assists the ministry in implementing the strategy, including finalizing the key measures of municipal viability that are a distinctive feature of the strategy. This continued collaboration helps to ensure the strategy develops smoothly from concept to practice.

Municipal Sustainability Initiative

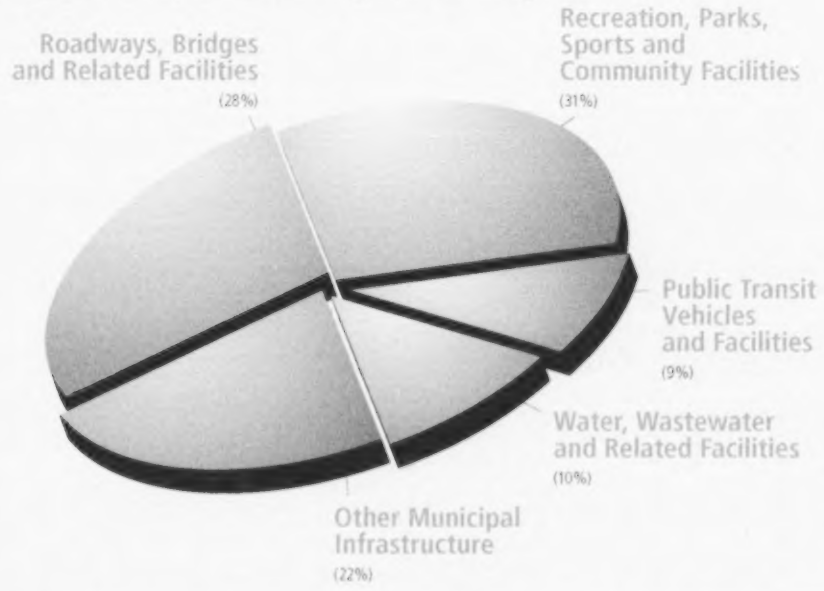
The Municipal Sustainability Initiative (MSI) is the Government of Alberta's commitment to provide significant financial support to municipalities for infrastructure and capacity-building activities, and is the province's key initiative for strengthening the municipal sector. Under this initiative, municipalities received $896 million in provincial funding in 2013-14.

Capital Funding – In 2013-14, the ministry provided $847.6 million in MSI capital funding. A total of 670 MSI capital projects were accepted. The MSI funding will be used for municipal roadways, bridges and related facilities (28 per cent); recreation, parks, sports and community facilities (31 per cent); public transit vehicles and facilities (nine per cent); water, wastewater and related facilities (10 per cent); and other municipal infrastructure (22 per cent).

MSI projects accepted in 2013-14 included: the City of Edmonton's replacement of public transit buses; the City of Calgary's construction of the Rocky Ridge Recreation Facility; the Town of Smoky Lake's contribution toward the purchase of a fire truck for use with Smoky Lake County; a collaborative project among the summer villages of Jarvis Bay, Norglenwold, Half Moon Bay, and Sunbreaker Cove to jointly purchase an administrative building; the Village of Glenwood's upgrade of a portion of a waterline; and the Town of Rocky Mountain House's rehabilitation of roads, sidewalks, and underground infrastructure along 50th Street.

These projects are examples of the variety of benefits received by Albertans as a result of the infrastructure funding, including greater connectivity and transit services, construction of key recreational infrastructure, improved emergency services, upgraded municipal roads, and safe and secure water.

Municipal Sustainability Initiative – Capital Funding



MSI Online System – To enhance service to municipalities, an MSI online system was developed in 2013-14 and launched in 2014-15. The new system will allow municipalities to submit and track the status of MSI capital applications online, submit MSI operating spending plans, and view other summary reports. This online access will streamline the application process for municipalities, and enable municipalities to access reports and up-to-date information on their MSI projects and funding. It will also result in improved grant-management practices, and increased efficiency and effectiveness in the delivery of the MSI program.

Operating Funding – In 2013-14, the ministry provided $48.4 million in MSI conditional operating funding to assist municipalities in addressing local priorities. Funds were allocated to projects that promote municipal viability and long-term sustainability (16 per cent); maintenance of safe, healthy and vibrant communities (47 per cent); development and maintenance of core municipal infrastructure (36 per cent); and capacity building (one per cent). For example, the County of Minburn is supporting the continued planning and development of the intersection at Highway 16 and Highway 36, and the Town of Redcliff is supporting the cost of a storm water infiltration study. These types of projects are examples of how municipalities are working on local priorities to improve the effectiveness and efficiency of municipal services in their communities.

Municipal Government Act Review

In 2012, a comprehensive process was approved for a principles-based review of the *Municipal Government Act (MGA)*, one of Alberta's largest pieces of legislation, and its attendant regulations. The review is occurring along three major themes: 1) municipal governance and administration, 2) assessment and taxation, and 3) planning and development.

The external stakeholder engagement phase of the project began in the fall of 2013 with the launch of the *Municipal Government Act* Review website (www.mgareview.alberta.ca). The website featured opportunities for interactive input, online registration to engagement sessions, integrated social media, and a comprehensive online workbook for stakeholders to submit specific suggestions.

A major component of the review has been the provincewide consultation that began early in 2014.

These regional engagements were scheduled in 11 communities across Alberta, and each included three days of facilitated discussions to gather input from the general public, business and industry, municipal officials and other stakeholders. As of March 31, 2014, sessions were held in Edmonton, Fort McMurray, Vermilion, Lethbridge, Edson, Red Deer and Brooks. In October 2013, an earlier opportunity was made available for outgoing municipal councillors to provide their thoughts on the *MGA*.

As of March 31, 2014, there were 52,859 views of the *MGA* Review website, 901 people had attended consultation sessions across the province, and 448 online workbook submissions had been received.

The ministry worked collaboratively with key stakeholders, both internal and external, to prepare for the public engagement. An external advisory committee of key stakeholder groups assisted in developing the engagement plan and consultation materials. The committee is composed of representatives of the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association, the Alberta Rural Municipal Administrators' Association, the Local Government Administration Association, the Alberta Chambers of Commerce, the City of Edmonton, the City of Calgary, and Municipal Affairs.

The success of the stakeholder engagement process is central to this project. The ministry's targeted and proactive approach has contributed to high participation and overall awareness. This approach included, for example, hosting technical sessions for stakeholders with expertise in theme topic areas (such as assessment and taxation), developing a series of audience-specific materials, and sending invitations and reminders to stakeholder groups. The robust stakeholder participation will be a major contributing factor in the development of relevant and effective legislation, and will help Alberta maintain its leading edge in forward-thinking municipal legislation in Canada.

The *MGA* Review process is occurring in phases that include research and development of background materials, issue identification, stakeholder engagement, legislative amendments, and assistance to municipalities in adjusting to forthcoming legislative changes.

Financial Assistance for Regional Collaboration

In 2013-14, the Regional Collaboration Program provided $29 million toward strategic activities in regional collaboration and capacity building. These types of initiatives strengthen municipal relationships, lead to improved ways of serving citizens and ratepayers, and increase the viability and long-term sustainability of municipalities. Funding was allocated toward:

Regional Collaboration – In 2013-14, 75 applications were processed in support of regional approaches to municipal service delivery and governance. Examples included a partnership among the Municipal District of Smoky River, the towns of Falher and McLennan, and the villages of Donnelly and Girouxville to conduct a regional fire department study; and a partnership among the towns of Cardston and Magrath, the villages of Glenwood and Hill Spring, and Cardston County to complete a regional governance and municipal service delivery review.

Municipalities have used this funding over the years to collaborate on projects related to regional land-use, governance, emergency services, water, wastewater, solid waste, recreation, and other municipal operations.

The ministry provided $7.3 million in grants for five municipalities that have been involved in municipal restructuring. The ministry recognized the importance of assisting these municipalities with funding to address transitional operating expenditures and critical infrastructure upgrades as a result of the restructuring.

Mediation and Co-operative Processes – The ministry provided support for processes to build and improve relations within and between municipalities to resolve intermunicipal and regional issues. Funding was approved to help resolve two intermunicipal disputes and to assist with two collaborative governance initiatives. These supports help municipalities to determine how to best meet their needs, and also how to work effectively with municipal neighbours in addressing regional challenges.

Municipal Internship – The ministry provided support to municipalities and planning services agencies to recruit, train and retain skilled municipal employees. In 2013-14, 25 municipalities benefited from grant funding to help cover the costs of hosting 16 administrator interns and four land-use planner interns. Two municipalities partnered with one or more other municipalities to host an intern. More than 200 interns, 80 municipalities and seven planning agencies have participated since the internship program was introduced in 2002.

Review of the Regional Collaboration Program

In the past year, the ministry completed a comprehensive review of the Regional Collaboration Program in order to prepare for the launch of the new Alberta Community Partnership program. This new program will expand upon and replace the Regional Collaboration Program, and encourage municipalities to work together on developing and implementing strategic long-term plans that improve service delivery. Program details were prepared during the past year for implementation in 2014-15. Regional Collaboration Program funding will be redirected into the Alberta Community Partnership program, along with funding to be realigned from the operating component of the Municipal Sustainability Initiative. Under the new program, municipalities will continue to be able to explore opportunities to collaborate on projects that pursue innovation, create strong communities, and alleviate municipal budget pressures.

Municipal General Election

In 2013, the ministry once again played a key role in supporting Alberta's 347 municipalities in conducting open and transparent democratic elections, enabling Albertans to elect local municipal councils to govern their communities. In the months leading up to the election, the ministry provided training and information sessions for prospective candidates and municipal election officials across Alberta. The ministry provided additional advisory support to the public and municipal officials up to, and including, election day, October 21, 2013.

Rebuilding and Recovery in the Lesser Slave Lake Region

The Lesser Slave Lake Region has continued to make substantial progress on the road to long-term recovery since wildfires swept across the region in 2011. Recovery efforts are led locally by a regional TriCouncil composed of the elected officials of the Town of Slave Lake, the Municipal District of Lesser Slave River No. 124 and the Sawridge First Nation. This partnership of local authorities has been instrumental in the success of recovery efforts by ensuring they are based on the needs of the local communities.

Municipal Affairs continued to play a key role in co-ordinating the province's assistance for recovery in the region, under the leadership of a Slave Lake Recovery Task Force of assistant deputy ministers from 12 departments. In 2011-12, the Government of Alberta had committed up to $289 million over three years toward regional recovery. In 2013-14, this support included:

- continued support for the Tri-Council, through the Regional Recovery Co-ordination Group, for the planning and implementation of recovery initiatives;
- approximately $38.9 million in capital grants for recovery projects, such as a regional waterline and a regional evacuation centre; and
- approximately $13.4 million in operating grants for recovery projects such as the updating of intermunicipal development plans, the development of a FireSmart region, community wellness initiatives, and building the region's capacity to assume responsibilities for the co-ordination of recovery initiatives. FireSmart is an initiative that helps protect homes and communities from the threat of wildfire. It uses preventative measures to reduce wildfire threat to Albertans and their communities while balancing the benefits of wildfires on the landscape.

The continued, gradual transition of recovery-related activities to local authorities was completed in March 2014. A transition plan was developed with local officials for the smooth transfer of this role, with a view to ensuring the Lesser Slave Lake Regional Wildfire Recovery Plan is concluded in a sustainable way and the outcome is a strong, resilient region.

Enabling Regional Growth Boards Act

The *Enabling Regional Growth Boards Act* was passed by the Legislative Assembly in December 2013. This Act enables the voluntary creation of growth management boards in high-growth areas of the province.

Support for the Capital Region Board and Calgary Regional Partnership

The Government of Alberta believes that solutions to growth pressures in major population centres should be developed regionally and managed locally, and actively supports the Capital Region Board and Calgary Regional Partnership as valuable forums for identification and resolution of growth-related challenges that cross multiple municipal boundaries.

Municipal Affairs contributed substantial funding for the work of the Capital Region Board and the Calgary Regional Partnership. The ministry provided $3 million in funding through the Regional Collaboration Program to each organization in support of their 2013-14 core operational costs.

The Capital Region Board also received funding support for strategic projects in support of the Capital Region Growth Plan that included the identification of regional energy corridors, development of a housing assessment framework, and a regional competitive analysis. The *Enabling Regional Growth Boards Act*, ensures the Capital Region Board Regulation will remain valid until November 30, 2018.

In March 2013, the Minister of Municipal Affairs invited members and non-members of the Calgary Regional Partnership to enter into mediation to address ongoing concerns with the functioning of the Partnership. The mediation process has been vital in re-establishing a dialogue between the Calgary Regional Partnership and surrounding non-member municipalities.

Support for Implementation of the Land-use Framework

Ministry staff continued to work with the Land Use Secretariat on the development of regional land-use plans, and the implementation of the Lower Athabasca Regional Plan that came into effect in September 2012.

In the past year, municipalities and other stakeholders, along with the general public, were asked for input on the Draft South Saskatchewan Regional Plan. Following consultations with Albertans, and in order to manage growth pressures and balance environmental needs in southern Alberta, this draft regional land-use plan was developed by the Land Use Secretariat and cross-ministry planning team.

Ministry staff continue to participate in cross-ministry work on land fragmentation and other initiatives under the Land-use Framework.

Other Cross-ministry Initiatives

Ministry staff continued to work on several cross-ministry working groups with Alberta Energy, Education, Infrastructure, Environment and Sustainable Resource Development, Aboriginal Relations and the Oil Sands Secretariat. Examples included initiatives related to landfill setbacks, school sites selection, land disposition policy, the urban development service region in the Regional Municipality of Wood Buffalo, Climate Change Adaptation Strategy, First Nations Consultation, and the Comprehensive Regional Infrastructure Sustainability Plans for the Peace River and Cold Lake Oil Sands Areas.

Grants In Place of Taxes

Municipal Affairs provided $57.6 million to municipalities through its Grants in Place of Taxes program. These grants are provided to municipalities for the property taxes that would otherwise be recoverable on Crown properties if they were not exempt from taxation. Examples of eligible properties include provincial buildings, court houses, correctional institutions and remand centres. Grants are also provided to cover the municipal portion of property taxes on specified non-profit, unsubsidized, self-contained seniors' accommodations.

Through this program, the Government of Alberta pays its fair share of property taxes on Crown-owned properties to support municipal services.

The 2013-14 Grants in Place of Taxes program budget of $54.5 million was overspent by approximately $3 million. The over-expenditure was due primarily to inflationary factors, which included higher than expected capital construction costs of completed projects, increases to property assessments and municipal tax rates, and the acquisition of new Crown properties.

Education Tax and Equalized Assessment

The ministry calculates the annual education property tax requisition for each municipality to determine its share of the provincial education property tax levy. In 2013, the Government of Alberta improved the education property tax system by linking the education property tax revenue requirement to 32 per cent of the target operating costs for the funding of kindergarten to Grade 12 education, and by eliminating the mitigation formula of capping and averaging municipal education requisitions. These changes have increased the predictability of future education property tax requisitions and improved equity in their distribution among municipalities.

The 2014 education requisition was prepared and sent to municipalities on March 6, 2014. For 2014-15, the province will collect $2.106 billion in education property taxes, an increase of about $48 million (2.3 per cent) from fiscal 2013-14. The requisition was distributed among municipalities based on the 2014 provincial equalized assessment. The total provincial equalized assessment (the cumulative value of all taxable properties in the province) for 2014 is about $795.4 billion, an increase of about $49.2 billion or 6.6 per cent over 2013.

Assessment of Linear Property

The ministry prepared the linear property assessments of 1,033 companies on behalf of Alberta municipalities. This assessment will generate about $980 million in municipal and education property tax and is based on property that includes oil and gas wells, pipelines, electric power systems, and telecommunication systems. For the 2014 tax year, the total linear property assessment was $75 billion, representing an increase of 5.72 per cent from 2013. This change was attributable to an overall increase in the number of assessable linear properties (such as new wells, electric power transmission lines and substations), as well as inflationary increases to the assessed value of existing linear properties.

The ministry also responds to linear assessment complaints filed with the Municipal Government Board. For the 2013 tax year, no complaints were heard before the board as there were no major issues raised by stakeholders concerning their linear assessments. The ministry continues to work with all stakeholders to prepare a fair and equitable linear property assessment.

Results-based Budgeting

Municipal grant funding is a significant source of revenue for municipalities, allowing them to complete important infrastructure projects and achieve regional objectives. In 2013-14, Municipal Affairs participated in the results-based budgeting review of programs that support municipalities and regional planning. This review included municipal grant programs, including the Municipal Sustainability Initiative and the Regional Collaboration Program.

The results-based budgeting process led to recommendations for the following:

- transfer of the administration of the Basic Municipal Transportation Grant, and the Building Canada – federal Gas Tax Fund programs to Municipal Affairs;
- consolidation of the Municipal Sustainability Initiative Capital program and the Basic Municipal Transportation Grant under the Municipal Sustainability Initiative; and
- the continued encouragement for municipalities to work together on regional priorities through realignment of funding from Municipal Sustainability Initiative – Operating, to the Regional Collaboration Program.

The results-based budgeting recommendations respond to requests from Alberta's municipalities for a simplified one-window approach to grant funding, greater autonomy and funding predictability for municipalities, and a streamlined, efficient and flexible grant process.

These recommendations are being implemented in 2014-15 and Municipal Affairs will continue to play a key role in providing financial support to municipalities.

A strong foundation for this review was established through the Government Re-Engineering Initiative on Municipal Grants beginning in 2009, which streamlined the suite of municipal grant programs, improved access to information on municipal grant programs for municipalities and Albertans, and enhanced reporting on municipal grant programs. The results-based budgeting process built upon this initiative and involved front-line government workers, government MLAs and members of the public.

Municipal Grants Accountability Framework

Grant funding reports were prepared for all municipalities, Metis Settlements, regional services commissions, and constituencies in Alberta. The reports provide easy and transparent access to grant funding information and are available through the Municipal Grants Web Portal. The web portal is a public website that serves as a common front counter for information on all provincial and joint provincial-federal grant programs to municipalities. These initiatives contribute to the accountability and transparency of municipal grant funding in Alberta.

Recognizing Municipal Excellence

In their 12th year, the Minister's Awards for Municipal Excellence were presented in five categories:

1) **Outstanding Achievement** – The City of Wetaskiwin, on behalf of two municipalities, two non-profit organizations and a provincially funded partner, for their Community Handi-van Program Partnership that has transformed an inefficient and unsustainable operation into an efficient, cost-effective program serving the municipalities and providing excellent service to residents.
2) **Innovation** – The Town of Vegreville for its Residential Compost Program, which is diverting large quantities of organic solid waste materials to a local company for the production of green power.
3) **Partnership** – The City of St. Albert for its Strategy and Mobilization Committee which brings together municipal services, RCMP, Alberta Health Services, St. Albert Mental Health, the schools and the St. Albert Ministerial Group. The committee has proven its effectiveness in identifying gaps in services and needs of the community and in developing effective solutions.
4) **Safe Communities** – The City of Calgary for its Multi-Agency School Support Team, which is an innovative partnership of the Calgary Police Service, the Community and Neighbourhood Services Department, the Calgary Board of Education, the Calgary Catholic School District and Alberta Health Services that addresses root causes and risk factors that lead to criminality. The partnership has successfully developed prevention interventions to reduce those risk factors.
5) **Small Communities** – The Town of Bruderheim for its Junior Fire Fighter Program which brings youth to Level 1 firefighter status before they reach the age of 18. The program has helped the Bruderheim fire department attract volunteers and remain viable.

Development Symposium Working Group

A Development Symposium Working Group of municipal and development industry representatives, facilitated by Municipal Affairs, continued to meet in 2013 to deliberate on options for funding new development, including off-site levies. It is anticipated the working group will develop a discussion document to be presented at a second stakeholder symposium. At a previous symposium in September 2012, stakeholders identified issues and challenges related to the provision of infrastructure and services for new developments, and the ministry has continued to sponsor followup discussions.

Well Drilling Equipment Tax

In February 2013, the ministry sponsored a joint municipal-industry meeting on the future of the Well Drilling Equipment Tax. Under Sections 388-390 of the *Municipal Government Act*, a municipality

is able to charge a one-time tax on oil and gas drilling equipment in the year in which a well is drilled. The intent of the tax is to help offset costs incurred by municipalities in maintaining roads used by well-drilling equipment. However, stakeholder perspectives about the tax differ among municipal and industry representatives. Following a joint municipal-industry consultation process, the regulation governing this tax was renewed for one year in December 2013 to allow further discussions with stakeholders on options for a long-term solution.

Municipal Restructuring

In 2013-14, the ministry completed a dissolution study for one municipality, a process in which a municipality explores the possibility of becoming part of a bordering municipality. As a result of a public vote, the Village of Tilley dissolved on August 31, 2013, to become a hamlet in the County of Newell.

The ministry also facilitated changes in name for two municipalities. The County of Lethbridge was renamed Lethbridge County, and the County of Thorhild was renamed Thorhild County.

Advice and Assistance to Municipalities

Ministry staff worked with and provided advice to municipalities, residents and stakeholders in the areas of finance, governance, administration, land-use planning, property tax and assessment, municipal restructuring and dispute resolution. Through these efforts, the ministry helped municipalities understand and fulfill their legislated obligations to provide transparent, accountable and responsible local government, and helped citizens to understand what they can reasonably expect from their local governments.

The ministry carried out this advisory role through a variety of means, including phone contact, correspondence, training sessions, handbooks, publications, the internet, participation in meetings and conferences, and other activities. A few examples include:

- Providing training for municipal officials on roles and responsibilities of councillors and administrators; on minutes, policies, and bylaws (for administrators); on tax recovery (for tax clerks); and other advisory training visits. In 2013-14, 37 of these training sessions were held.
- Providing a number of full- and half-day regional training sessions and a webinar for 590 election day workers and municipal election officials, and half-day training sessions and a webinar for 280 prospective candidates leading up to the 2013 general municipal elections.
- Responding to more than 3,600 direct inquiries from municipalities and individual Albertans on municipal governance, administration, and election issues.
- Publishing 11 updated resources for municipal councillors, administrators, and the general public on local elections, the role of councillors, council meeting agendas and minutes, tax recovery, bylaws, performance appraisal, and petitions.
- Completing inspections on matters related to municipal management, administration, or operation for six municipalities.
- Delivering training in six locations to 100 members and staff of subdivision and development appeal boards from 12 municipalities.
- Responding directly to more than 180 inquiries and issues raised by municipalities, citizens and other stakeholders on land use, development, permitting and planning issues. Staff also responded to internal inquiries and requests for input from other ministries and government offices.
- Providing advisory support to Alberta's 70 regional services commissions around the areas of administration, finance, and governance. In 2013, one new commission was established to provide waste services in the Lacombe region.
- Publishing the 2013 Municipal Affairs Population List in accordance with the Determination of Population Regulation and population affidavits filed by municipalities.
- Providing half-day municipal census training sessions to about 30 municipal participants.
- Delivering 14 workshops to municipal officials in the areas of negotiation, public input, workplace conflict, and collaborative leadership.

Standards for Assessment Quality

The Assessment Audit Program is part of the ministry's priority initiative to promote an assessment and property tax system that is accurate, predictable, fair and transparent. The ministry oversees the assessment system to ensure legislated standards are met, and that assessment practitioners across Alberta follow industry best practices.

As part of the process for the review of the assessment information reported to the department by each municipality, the ministry:

- Conducted annual assessment audits on all municipalities in Alberta. This process included ratio studies and other statistical analysis for each municipality to ensure compliance with legislated provincial quality standards and, where required, recommendations for remedial actions.
- Conducted detailed assessment audits of a sample of municipalities to monitor for compliance with legislation and assessment industry best practice. Followup reviews take place to ensure recommendations are addressed.
- Conducted a review of all Crown properties and an in-depth review of the valuation of 121 Crown properties identified by year-over-year assessment change, to ensure the grants paid by the ministry in place of taxes on those properties are reasonable.
- Reviewed municipal compliance with the requirement to provide sufficient information to taxpayers about how assessments were prepared for six non-residential and two residential properties.
- Managed the Assessment Shared Services Environment, or ASSET system, a database of provincewide property assessments, which is used to maintain municipalities' annually-reported property assessment information and determine if legislated quality standards have been met.
- Conducted an audit of municipal bylaws to ensure the municipal assessors have been properly appointed.

Assessment Review Board Training

Municipal Affairs continued to provide training for assessment review boards, which helps to assure municipalities and taxpayers that board members are consistently trained and qualified, and possess knowledge and understanding of the legislation and regulations pertaining to assessment. In 2013-14, a total of 380 participants attended two training sessions for prospective clerks, 10 training sessions for prospective board members, two refresher courses for clerks and three refresher courses for board members.

Significant External Factors Impacting Achievement of Ministry Goal

The 2013 floods put significant pressure on the ministry's resources, and several initiatives were put on hold to meet the urgent needs of flood-impacted communities. For example, the public consultation phase of the *Municipal Government Act* review was proposed for mid-2013, but because of the flooding and the timing of the October 2013 municipal elections, the commencement of consultations was postponed until February 2014.

Similarly, the review of the Regional Collaboration Program was delayed as the ministry responded to the flooding. The review was completed by the end of the year, and program changes will be communicated to municipalities and implemented in 2014-15.

Supporting Alberta's Public Libraries

The ministry provided $31.3 million in funding to support public library service. This included:

- $26 million in operating grant funding to 224 municipal library boards and seven library system boards operating 317 public library service points in the province.
- Approximately $5.3 million in funding to support the public library resource sharing network; public library use of the Alberta SuperNet and interlibrary loan delivery systems; funding to The Alberta Library, which represents many of Alberta's public, post-secondary and government libraries; and funding to provide access to digital licensed databases through the provincial public library network.

Minister's Awards for Excellence and Innovation in Public Library Service

The Minister's Awards for Excellence and Innovation in Public Library Service program is open to all public library boards in Alberta. The awards identify, acknowledge and encourage best practices, and capture and communicate ideas for enhanced effectiveness that can be replicated by libraries across the province.

The awards were presented by the Minister of Municipal Affairs at the Alberta Library Conference on April 26, 2013. The following library boards received this award in 2013.

- City of St. Albert Library Board – Excellence in a Larger Library award, for their "St. Albert Readers Festival – STARFest." This program was created to celebrate the 50th anniversary of the library and 100th anniversary of St. Albert. It involved author presentations and interview sessions, including six best-selling award-winning authors from across Canada.
- Sheep River Library Board – Excellence in a Smaller Library award, for their "OUT LOUD" program. This was a series of events to encourage and assist writing and creativity through writing and filmmaking workshops, author talks and celebrity readings.
- Chinook Arch Regional Library Board and the Kainai Literacy Committee – Innovation in a Larger Library award, for the opening of the Kainai Public Library, the first public library on a First Nations reserve in Alberta. This new library required a new service model as the existing ways of creating a library in a municipality were not applicable. The library is focusing on family literacy, Blackfoot culture and language, and general public library service. The award was given in the category of "larger library" because the library system serves a regional community.
- Lac La Biche County Library Board – Innovation in a Smaller Library award, for their "Make Career Choices: Job and Career Development" library program. This program has created a community-based, co-ordinated network of career support services that improved the effectiveness of each partner's efforts, reduced duplication of services, and made a difference in the lives of participants.

Streamlining the Creation and Delivery of Provincewide Electronic Technological Infrastructure and Programs

As a result of the results-based budgeting initiative on programs that support municipalities and regional planning, the ministry moved the functions, funding and responsibility previously allocated to the Alberta Public Library Electronic Network into the department's budget and operations of the Public Library Services Branch. This strategic initiative is designed to streamline the creation and delivery of provincewide electronic technological infrastructure and programs for all public libraries. The desired outcomes are to create efficiencies and enhance the effectiveness of technological and e-content innovations for all public libraries in the province.

The following section explains the results of performance measure 1.a, as there was a significant variance from targeted results.

Performance measure 1.a: *Usage of public library services by Albertan households*

The target of 70 per cent was not met, with an actual result of 57 per cent.

This measure provides information on the use of Alberta public libraries by Albertan households in the past 12 months. It is used to give a general sense of the effectiveness of the Government of Alberta's library policy and program supports to library boards. The measure also looks at how well library boards are doing at retaining existing library user-bases, and how enhancements to services from year-to-year may attract new users.

The percentage of Albertan households who have used public library services, when reviewed with other traditional usage indicators such as number of library cardholders, number of reference questions and turnstile counts, provides insight into public library access and usage. Results of this measure are compared with those of previous years. These comparisons are used in combination with information from other sources to assess how well the current level of library usage supports the delivery of programs and services. Based on these analyses, decisions are made concerning the need to review, and if necessary, adjust library programs and services.

The data used in support of the current performance measure is based upon responses to a question posed to 1,000 adult Albertans in a scientific survey conducted by a professional private-sector market research firm. The question is: Have you or someone in your household used a public library in Alberta in the past 12 months? The result from the March 2014 survey revealed that 57 per cent of Albertan households used a public library in the previous 12 months.

Though the target was missed, the difference in results from the previous year was only two per cent less. This measure has been missing its target for the last few years because determining the target is more challenging. A key factor underscoring the challenges around this measure is that when the measure was created and the question formulated, the way in which Albertans interacted and used libraries was different than it is today – due in large part to technological changes.

For instance, in-person use of public libraries is only one indicator of public library use in Alberta. Statistics collected from public library boards indicate a steady increase of people using the "virtual branch" of the library online in addition to using the physical library. This online capability through the Internet and the SuperNet (the government sponsored broadband network), along with inter-library loan sharing of library resources, allows Albertans to have greater access to library materials from across the province through their local public library. The increase in virtual usage of public library resources may be the result of the availability of new, more sophisticated online library catalogues, and the availability and usage of new wireless, personal information technologies to access the data and library resources. The use of networked library services – services made possible by the availability of SuperNet in public libraries – continues to grow steadily. In the standardized survey the question "have you or someone in your household used a public library in Alberta in the past 12 months?" cannot be expanded upon to ensure the person surveyed understands that this question includes all of the "virtual branch" services they may already be using.

For these reasons, this performance measure (Usage of public library services by Albertan households) has been replaced for the Municipal Affairs 2014-17 Business Plan by a measure that more accurately gauges Albertans' use of public library services – "Average number of public library resources borrowed by Albertans."

Goal 2: Fair, timely and well-reasoned decisions are provided on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations

Municipal Government Board

The Municipal Government Board continues to hear and decide on complaints about linear property assessment, equalized assessment appeals, subdivision appeals, and intermunicipal disputes, and to make recommendations on annexation applications. A total of 38 Municipal Government Board hearings were conducted in 2013-14 (36 subdivision appeals, and two preliminary/ jurisdictional matters).

In order to accommodate the hearing workload for meeting the requirements of all legislation, including completing all written assessment decisions within 30 days, the board has a total of 49 appointed members. The Municipal Government Board continues to provide extensive training and support to its part-time members, who are appointed by an Order in Council.

The Municipal Government Board provides a provincial representative, in the form of a presiding officer, to Composite Assessment Review Boards (CARBs). This presiding officer joins two municipal representatives to hear assessment complaints for residential property with four or more dwelling units, non-residential property, and machinery and equipment. In 2013-14, the board provided presiding officers for 953 CARB hearing days involving 1,983 decisions.

The survey of CARB municipalities has consistently resulted in a 97 to 100 per cent satisfaction rating. CARB municipalities are given an opportunity, through the survey, to give their opinion on the performance of the Municipal Government Board and make comments in order to assist it in providing better services to their boards. This result is an indicator of performance.

In 2013, a performance indicator to specifically measure CARB hearings was developed to more completely measure all the work of the Municipal Government Board.

The following section explains the results of performance measure 2.a, as there was a significant variance from targeted results.

Performance measure 2.a: *Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the Board's performance of services in support of planning, annexation, linear and equalized assessment appeals*

The target of 80 per cent was exceeded, with an actual result of 91 per cent.

The actual for the year of 91 per cent exceeds the target of 80 per cent by 11 per cent. It is seven percentage points higher than last year's actual (84%).

The achieved result of 91 per cent reflects the type of appeal hearings held during the year and the parties that attended. It is noted that experienced participants attended the hearings and it is believed that they answered based on their satisfaction with the process, and were less influenced by the final decision or outcome of the hearing.

Clients attending hearings and directly involved in the appeal processes (that strive for fairness, impartiality and independence) are deemed to be the best parties to assess the Municipal Government Board's performance. Receiving their responses on their level of satisfaction is seen as the best indicator of the board's performance.

The result of this measure is a clear indicator that the goal associated with the work of the Municipal Government Board, "Fair, timely and well-reasoned decisions are provided on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations" is in fact, fair, timely and produced well-reasoned results.

Goal 3: Low-income Albertans have access to a range of safe and affordable housing options and services

Housing Services for Albertans

Housing is a basic necessity, and the Government of Alberta has a commitment to assist Albertans most in need with accessing an affordable place to live. Municipal Affairs continues to work with key stakeholders on the development and implementation of a comprehensive sustainable housing strategy to meet current and future needs. This approach includes responsible investing and the exploration of sustainable funding options so facilities can operate more efficiently and provide long-term stability for the existing social housing and seniors lodge portfolio while increasing the supply of affordable housing stock.

The sustainable housing strategy will include a long-term real estate strategy for government-owned and -supported housing, capacity development initiatives to support a vibrant local housing provider system, and housing program renewal, with a goal of addressing current and future housing needs.

Long-Term Real Estate Strategy for Social Housing

The Government of Alberta recognizes that under the current funding model – including agreements with the federal government – the government-owned and -supported housing portfolio has aging facilities with increasing annual operating costs. The Government of Alberta will work with housing management bodies and municipalities to develop a comprehensive long-term real estate strategy.

This strategy is designed to:

- leverage provincial funding and assets, federal funding, and municipal and housing management body assets;
- explore innovative approaches to financing such as public-private partnerships and other funding models in order to provide housing solutions; and
- renew or redevelop mature properties owned by the Alberta Social Housing Corporation, municipalities, or housing management bodies, which includes a focus on seniors' lodges as many of these properties were developed over 40 years ago.

The Ministry of Infrastructure is in the final stages of the completion of the cycle of annual inspections to confirm the condition of the 36,000 government-owned and supported seniors' lodge and social housing portfolio. The condition analysis reports that have been completed identified over $1 billion in capital improvements and functional upgrades that will be required, over a five-year period, in order to extend the useful life of buildings within the seniors' lodge, seniors' self-contained and community housing portfolios. By working with the Ministry of Infrastructure and housing management bodies, Municipal Affairs is able to prioritize investments based on the identification of the projects with the greatest need for maintenance upgrades and regeneration.

The seniors lodge portfolio is a priority for renewal and regeneration and, the ministry is taking the necessary steps to renovate and maintain them as much as possible. With more than 70 per cent of seniors' lodges located in rural Alberta, it is especially important to invest in and support this type of housing so seniors can stay in the community close to their family and friends as they age.

In total, over $100 million in capital improvement and regeneration funding has been approved for seniors' lodges across Alberta.

In spring 2013, the ministry announced an investment of $31 million for repairs and upgrades to all lodge facilities across the province.

Housing management bodies may use the funds for projects such as:

- building repairs, and mechanical and plumbing upgrades;
- fire and safety upgrades; and
- kitchen, dining room and resident room expansions or renovations.

Under this regeneration and renewal plan, the ministry also has two demonstration projects under construction from 2012 – 90 units in Fort Saskatchewan and 52 units in Bonnyville – and several lodge renewal projects planned for construction to start in 2014.

Seniors living in lodges in rural communities across Alberta will soon see significant renovations to their homes because of $40 million in matching federal-provincial funding. Some lodges will have new rooms added, while others will see both room additions and enlargements. A total of 51 units will be renovated, and 155 new units will be added to six provincially owned rural lodges.

In 2013-14, the federal and provincial governments announced funding commitments for the following lodges:

- Wildrose Villa (Boyle) $8.8 million
- Rosealta Lodge (Camrose) $9.6 million
- Bow River Lodge (Canmore) $8.5 million
- Shangri-La Lodge (Drayton Valley) $1.2 million
- Big Knife Lodge (Forestburg) $7.2 million
- Prairie Rose Lodge (Milk River) $4.8 million

Housing management bodies may use the funds for projects such as:

- building repairs and mechanical and plumbing upgrades;
- fire and safety upgrades; and
- kitchen, dining room and resident room expansions or renovations.

Additionally, in 2013-14, Cabinet approved the Alberta Social Housing Corporation to have the authority to lend to eligible housing providers for various initiatives that maintain existing stock or to add to housing supply. This is a foundational piece to the financing options to support the long-term real estate strategy for properties owned by housing management bodies. The program regulation to support the lending activities will be completed in the coming fiscal year.

Capacity Development and Program Renewal

Capacity development initiatives involves working with the public housing sector and housing management bodies in support of building stronger local housing providers. These initiatives include a renewed focus on training and development strategies for: board governance, tenant relations, asset management, financial administration, and in some cases, creating shared services or mergers of organizations.

The Capacity Development Plan also supports partnerships through funding provided to key industry associations, including the Alberta Seniors Citizens Housing Association and the Alberta Public Housing Administrators Association.

These partnerships with industry support and create the critical capacity that is necessary to deliver the following:

- asset management that supports over 42,000 government-owned and -supported housing units operated by public housing management bodies;
- funding accountability for over $900 million in combined revenue and expenditures, and over $7 billion insured replacement value of public assets; and
- client services to approximately 122,000 Albertans, including low-to-moderate income seniors, families, individuals and those with special needs.

The ministry continues to develop the Housing Access Link, an operating system that will improve service delivery, accountability, and strategic planning across public housing management bodies and with the provincial government. Initial implementation of the Housing Access Link within the Housing Division and key housing management bodies is scheduled for 2014, with further expansion to all housing management bodies over the next two years.

Commitment to program renewal includes the priority to one of the flagship housing programs under the *Alberta Housing Act* – the Seniors Lodge Program, which was established in 1959 as a partnership with the Government of Alberta and local municipalities to offer housing and supports to aging populations.

Social housing program renewal includes the ministry's ongoing work on a Social Housing Agreement with the federal government. This agreement would replace the existing 17 bilateral agreements that currently cover the approximately 26,000-unit social housing portfolio that is cost-shared with the federal government. The agreement proposes to transfer the federal interests and full administrative responsibility for these cost-shared units, as well as some of the federal unilateral housing programs to the Government of Alberta. As the Social Housing Agreement is being finalized, the ministry continues to work collaboratively with municipal community-based partners to provide safe, suitable and affordable housing throughout the province.

Housing Assistance

The ministry, through the Alberta Social Housing Corporation, provided net operating funding to support safe, secure and affordable housing to more than 48,000 low-income households through social housing, the Seniors Lodge Program, emergency and special needs housing, and rent supplement support.

Social Housing Programs – The Government of Alberta continues to assist eligible low-income Albertans with their basic housing needs. This includes providing operating support to housing management bodies for government-owned and -supported social housing units that provide rent geared-to-income housing under the *Alberta Housing Act*. The support covers over 10,000 community housing units for individuals and families, and over 14,000 seniors' self-contained housing units.

Seniors Lodge Program – The Seniors Lodge Program provides supportive living accommodation to over 9,500 low-to-moderate income seniors who are functionally independent with, or without, the assistance of existing community-based services. Seniors lodges are among the oldest properties in the housing portfolio and are essential to serving rural Alberta, with over 6,700 units outside of Alberta's seven major metropolitan areas.

This past year marked the official introduction of the Seniors Lodge Program Renewal Committee, which includes participation from a cross-section of industry and government stakeholders, including the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties and Alberta Senior Citizens' Housing Association. This committee is reviewing the Seniors Lodge Program. Recommendations will be forwarded to the Minister in 2014.

Rent Support Programs – Rent support programs provide funding to help households-in-need obtain and maintain affordable and suitable rental accommodations. In 2013-14, the ministry provided approximately $64.5 million to housing management bodies around the province to assist 11,500 households through the private landlord and direct-to-tenant rent supplement programs. These programs, as per the *Alberta Housing Act*, provide subsidies directly to high-need eligible applicants, and to private landlords, based on setting tenants' rents as a percentage of their income.

Significant External Factors Impacting Achievement of Ministry Goal

The issues related to the aging real estate, funding models, governance and roles of the municipalities, housing management bodies and the province are being addressed through the Seniors Lodge Program Renewal Committee. This committee experienced delays because of the flood response, but stakeholders and industry representatives were still able to achieve the committee's planned milestone, which was presenting recommendations to the Minister early in the next fiscal year.

The following section explains the results of performance measure 3.a, as there was a significant variance from targeted results.

Performance measure 3.a: *Number of affordable housing units approved for development*

The target of 200 was not met, with an actual result of 0.

With Alberta's Affordable Housing Task Force commitment fulfilled, the number of affordable housing units approved for development was already achieved and, as such, funding priorities have shifted to address the current social housing portfolio needs. Municipal Affairs will continue to work with delivery partners on the completion of a long-term strategy. Included are new performance measures and outcomes, which are based on ensuring those most in need of accommodation have access to housing options.

In 2007, the Government of Alberta created a housing task force, which recommended how to make affordable housing more available and accessible. Subsequently, Alberta not only achieved its five-year goal of providing support to the development of 11,000 new affordable housing units in 2012, but exceeded the target by 1,000.

These units are dedicated for low- to moderate-income individuals, families, seniors, Albertans with special needs and people transitioning from homelessness. During the five years, over 12,000 affordable housing units were supported through capital grant funding to municipalities, housing management bodies, non-profit groups and the private sector. This approach made the most of provincial support with municipal, federal and private sector funding to create additional affordable housing units across the province.

To date, approximately 6,800 affordable housing units have been built and another 2,357 units are expected to be completed by March 2015. Another 2,957 units are in various stages of development and are scheduled to be completed by 2016.

This five-year affordable housing initiative has now come to a close. This performance measure has been replaced in the Municipal Affairs 2014-17 Business Plan with a measure that more effectively gauges Albertans' access to housing options:

Housing facilities condition rating:

- percentage in good condition
- percentage in fair condition
- percentage in poor condition

Goal 4: Community and regional capacity for public safety is enhanced through appropriate technical standards and support initiatives, enforcement, and strong collaborative risk management frameworks

New Home Buyer Protection Act **Policy Development**

The *New Home Buyer Protection Act (NHBPA)* received Royal Assent in December 2012. The policy work was completed this past year for the development of regulations to support the Act; this includes two regulations under the *NHBPA* and an amendment to the Permit Regulation under the *Safety Codes Act*. Municipal Affairs also supported the Ministry of Treasury Board and Finance in the policy development of the Home Warranty Insurance Regulation under the *Insurance Act*. Throughout the development of the regulations, stakeholders were engaged to ensure the policy framework would provide the desired outcomes of improved consumer protection and raising the standard of construction.

Initially, the ministry had targeted the fall of 2013 as the date by which the *NHBPA* would come into force. However, feedback from stakeholders indicated they would need more time to adjust their business practices. February 1, 2014 was set as the new implementation date and late in 2013, Cabinet approved the new regulations. This completed the major policy development work to address residential construction practices. The regulations provide clarity around owner-builder authorizations,

commencement of coverage, policy conditions, permitted exclusions, the building assessment reports, exemptions and the *NHBPA* Appeal Board.

New Home Buyer Protection Act Implementation

In order to implement the *New Home Buyer Protection Act*, the ministry:

- developed an online publically accessible registry to track home warranties; and
- launched a public awareness campaign to inform the public about the Act and what it means for home buyers.

The registry (of the New Home Buyer Protection System) was launched on February 1, 2014 and will accommodate diverse stakeholder needs including builders, warranty providers, permit issuers and the general public. Approximately 87 per cent of known homebuilders set up their user accounts prior to the registry's launch date. All Albertans have access to the searchable registry, which informs them if a property has home warranty and how much warranty coverage remains.

In January 2014, the ministry launched the first phase of a public awareness campaign that coincided with the implementation of the *New Home Buyer Protection Act*. The campaign provided Albertans with information on the new mandatory minimum requirements for home warranty coverage established in the Act, the roles and responsibilities of home buyers, homebuilders and warranty providers. The campaign doubled the public's awareness of the *New Home Buyer Protection Act*, from 21 per cent in December 2013 to 48 per cent in February 2014.

Search and Rescue Team Agreements

In 2013-14, the Minister signed agreements with 35 search and rescue teams to provide them with liability protection under the *Emergency Management Act*. Search and rescue teams are mostly volunteer-based and assist in locating missing persons, evidence searches for law enforcement, and in natural disasters. The agreements are a significant step toward providing a framework for search and rescue teams. Some of the key components of the framework contained in the agreement include:

- a "tasking process" to ensure teams are tasked in an appropriate manner; and
- access to software that will allow the ministry to monitor search and rescue activities – and could provide data to inform further policy development.

Power Engineers Regulation Amended

The Power Engineers Regulation was amended in January 2014 to meet industry requests around new technologies. The Power Engineers Regulation provides supervision requirements for power plants and thermal liquid heating systems, and competencies for power engineers to supervise that equipment. Significant technology advancements in the industry made it necessary for the ministry to assess whether supervision requirements meet the needs of industry and public safety. The amended regulation provides reduced supervision requirements for many of these new and safe technologies, and creates two new certificates of competency: 1) fire process heater operator certificate, and 2) the steam powered tractor engine certificate. The fire process heater operator certificate will address many of the new technologies that need some supervision and the steam powered tractor engine certificate will enable heritage tractors to be operated in a safe manner for community events.

Support to the Safety Codes Council in Developing the Alberta Safety Codes Authority

In the previous fiscal year, the Minister approved a three-phase grant that would see the Safety Codes Council develop a business case for a new body to deal with permitting and inspection activities in unaccredited municipalities. This year, the council submitted the business case for the Alberta Safety Codes Authority to the Minister and concluded this business unit would be viable. The Minister approved the business case and authorized the second phase. A $1 million grant will see the development of the authority. The authority will provide better management of permit and inspection activities in unaccredited municipalities by increasing the accountabilities for the accredited agencies that provide the permits and inspections.

Emergency Medical Services Dispatch Consolidation Consultation

The Associate Minister of Municipal Affairs led a consultation with municipalities to assess the impact of the Ministry of Health's decision to continue emergency medical services dispatch consolidation of their municipal fire services, 911 call centres and local fire dispatches and to develop a transition plan. Consultations were held in June and July, 2013 throughout the province as well as an online consultation. Many stakeholders provided their feedback to the Associate Minister and a cross-ministry team comprised of staff from the ministries of Municipal Affairs, Health, and Justice and Solicitor General.

Significant External Factors Impacting Achievement of Ministry Goal

The scope and scale of the resources needed for the flood response resulted in the ministry being unable to progress on some priority initiatives in the Municipal Affairs 2013-16 Business Plan. Code development, including building, energy efficiency, and water conservation codes was delayed as was the work of fire service policy development previously scheduled for 2014.

Goal 5: Albertans are protected from the effects of disaster and emergency events through a coordinated and all hazards focused public safety system

Major Emergency Events

The Provincial Operations Centre (POC) monitors all actual, emerging or potential emergency situations, within and outside the province, where there is the potential to impact citizens or the interests of Alberta. At a minimum, the POC is staffed 24/7 by a Provincial Duty Officer working in conjunction with an on-call Field Officer.

The Provincial Duty Officer watches over and assists with the co-ordination of a provincial response to emergencies and disasters, engaging the on-call Field Officer and the Agency management team, as events develop. In the event of a more complex, serious, or protracted incident, a higher level of readiness can be established within the POC, drawing on a larger team of emergency management professionals (from across government and including external partners and stakeholders) to co-ordinate a government-wide approach to managing the event.

The Provincial Operations Centre Augmentation Program, initiated in 2012-13, proved to be a significant source of assistance as it reinforced and strengthened the operational depth in the POC. This program saw volunteers with emergency management training, drawn from across the Government of Alberta (GoA), who were called upon to fill a variety of staff positions within the POC. This augmentation proved essential to meet the demands of protracted events like the 2013 southern Alberta floods.

In 2013-14, the POC elevated its level of activation on a number of occasions in relation to the following events:

- **May 2013**
  To manage a number of near simultaneous events across the province, including wildfires that either caused evacuations or preparations for evacuations outside the Forest Protection Area (Lodgepole, Nordegg, Hobbema (Maskwacis), Whitefish (Goodfish) Lake First Nation and Clearwater County) along with overland flooding that impacted two northern First Nation communities (Little Red River Cree Nation and Dene Tha).
- **June 2013**
  Flooding event in the Regional Municipality of Wood Buffalo including Fort McMurray, Fort McMurray First Nation and potential concerns to the Chipewyan First Nation.
- **June and July, 2013**
  Widespread and devastating flooding across southern Alberta resulting in 30 State of Local Emergency declarations and one Provincial State of Emergency declaration.

- **September 2013**
  Widespread communication systems outage affecting Alberta, British Columbia and Ontario from the Telus and Bell telecommunication networks.
- **September 2013 through February 2014**
  During this time period, the POC dealt with an additional nine events which necessitated a co-ordinated response, including:
  - A train derailment in October, involving 13 rail cars near the Hamlet of Gainford. An explosion occurred following the derailment and resulted in several fires, both on the tankers themselves and in the surrounding fields. A mandatory evacuation was ordered for the area and 125 people registered at the reception centre at the nearby Entwistle Community Hall.
  - A landfill fire in November and December east of Medicine Hat in Cypress County. The fire produced heavy smoke and resulted in the closure of roads.
  - In November, during decommissioning operations at the Obed Mountain Mine, two water storage pits failed, releasing a large amount of water (approximately one million cubic metres) into the nearby Athabasca River. Alberta Emergency Management Agency field officers were in contact with municipalities downstream of the release advising them of the release and to take appropriate steps to protect their water treatment plants (if necessary).

In total, the Provincial Operations Centre was elevated to Level 2 or above for 179 days between April 1, 2013 and March 31, 2014.

911 Program

In response to requests from a broad range of stakeholders including 911 centres, municipalities, and emergency services groups, the Province of Alberta passed legislation and regulations that provide funding and regulatory supports to local 911 service delivery. These supports aim to strengthen the 911 system by establishing a new monthly 911 levy of $0.44 on wireless telecommunications devices.

The 911 levy will help fund enhanced service capacity, acquisition of new technology, and development and implementation of common 911 standards. The new supports are similar to approaches taken in other provinces. These supports are estimated to provide grants of approximately $14 million annually for 911 centres. The *Emergency 911 Act* comes into force on April 1, 2014 and the 911 Program expects to issue the first grant payments to 911 centres in July 2014.

Emergency Preparedness

The ministry facilitated the approval of 17 flood readiness grants to municipalities totaling approximately $9.9 million prior to year end. Grants to support additional communities are expected to be approved in the 2014-15 fiscal year. This funding is provided to communities to allow for the purchase of temporary flood mitigation resources, including: temporary dams; sandbag filling machines; sandbags; and other equipment to assist in preparing against potential flooding.

Other emergency preparedness projects included:

- providing $150,000 in grants to 31 regional municipalities for emergency preparedness training;
- increasing the number of certified Incident Command System instructors for the Province of Alberta by 42 per cent;
- increasing the number of courses delivered in the classroom by 42 per cent;
- increasing the use of online emergency management training by 44 per cent, decreasing the cost per student trained by 30 per cent; and
- developing the Emergency Co-ordination Centre Course, filling a gap in training as identified by stakeholders.

Cross-Government Business Continuity

The ministry continues to consult with Government of Alberta departments to prepare, implement and maintain business continuity plans. All government ministries are legislated to participate in the cross-government business continuity program. Agencies, boards and commissions participate in the program voluntarily.

The ministry, through the Alberta Emergency Management Agency (AEMA), reviews the completeness of department business continuity plans, with each ministry being reviewed every other year. Currently the AEMA is leading a cross-government effort to rewrite the Government of Alberta Business Continuity Plan. Cross-government business continuity exercises

are conducted twice a year – the most recent (March 2014) focused on integrating business continuity needs into a complex, multifaceted disaster scenario that included the possible closure of key provincial government business operations.

With the help of the Cross-Government Co-ordination Team, Municipal Affairs assists other ministries during incidents that disrupt the government's essential services. In 2013-14 there were 25 reported disruptive incidents with five events requiring evacuations of staff and/or patients; the most common were information technology failures and building evacuations, while the most significant GoA outage was the southern Alberta flooding, which resulted in the formal activation of the GoA Business Continuity Guide and the Cross-Government Co-ordination Team.

Alberta Emergency Alert

Alberta Emergency Alert was launched digitally in 2011 replacing the analog Emergency Public Warning System. Alberta Emergency Alert uses digital technology and common standards to reach Albertans through radio, TV, social media, Really Simple Syndication (RSS) and a dedicated website (www.emergencyalert.alberta.ca).

In 2013-14, there were 107 alerts, including 29 critical alerts (immediate threat to life and/or safety), and public alerts that encompassed a wide range of hazards, including wind and tornado warning, AMBER alerts (a child abduction), high water levels, wildfires, air quality, and loss of 911 services.

Alberta Emergency Alert has over 120 media partners that participate voluntarily in the program, distributing critical alerts across their air waves. The program has approximately 92,000 Facebook and Twitter followers and there were about 63 million visits to the Alberta Emergency Alert's website in the 2013 calendar year.

Alberta Emergency Management Agency Stakeholder Summit

The sixth annual AEMA Stakeholder Summit was successfully held in Calgary in November 2013 and was well received by all attending delegates. More than 300 public safety system stakeholders attended. The theme of the summit was "Mitigation Through Innovation." Participants in the summit reviewed mitigation, current events, and flood preparedness and response, and developed networks to further the relationships needed for the successful operation of Alberta's emergency management systems.

Keynote presentations from top Canadian and American experts in emergency management covered flood mitigation, mitigation and insurance, and the response to the flooding event in Calgary. There were also a variety of breakout sessions that focused on flooding response and recovery, social media strategies for emergency communications, response and mitigation by innovation, managing large scale incidents, preparedness, insurance industry considerations and mutual aid in Alberta.

The following section explains the results of performance measure 5.a, as there was a significant variance from targeted results.

Performance measure 5.a: *Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received*

The target of 100 per cent was not met, with an actual result of 95 per cent.

The flooding in June 2013 in southern Alberta was unprecedented and the focus of recovery efforts were those impacted the greatest. This resulted in re-prioritizing all applications for all disaster recovery programs and in some instances the 30-day performance measure was not met.

The 2013 southern Alberta floods were responded to with the largest disaster recovery program in Canadian history. It covered a significant portion of southern Alberta from the Saskatchewan border in the east, to the British Columbia border in the west and as far north as the Red Deer River basin. Because of the extreme scope and scale of damages, priority was given to those most severely impacted.

As the approval of the Wood Buffalo, Redcliff and northwestern Alberta programs occurred within a similar time frame, the focus on the damage in southern Alberta impacted the ability to achieve the target.

The following section explains the results of performance measure 5.b, as there was a significant variance from targeted results.

Performance measure 5.b: *Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years*

The target of 94 per cent was not met, with an actual result of 84 per cent.

Although the actual result is substantially below the target, an analysis based on population exercised shows municipalities representing 97.6 per cent of the population were exercised in this period, which represents a 1.2 per cent increase from last year.

Factors that reduced the actual results were:

- Under the *Emergency Management Act*, no municipality can be compelled to exercise.
- A risk management approach is applied, with priority given to municipalities where the risk as represented by the hazard and the population is highest. The ministry is, therefore, able to report exercises were conducted in municipalities that represent over 97.6 per cent of the population in the province.
- As this performance measure reflects a four-year rolling "window," issues which impact the measure can date back as far as fiscal year 2010-11. During this four-year period, the following issues impacted the ability of AEMA's Regional Field Officers to exert influence on their municipalities to conduct exercises:
  - Significant emergency events over the last four years including the 2010 southern Alberta floods, the 2011 northern Alberta interface fires and the 2013 southern Alberta floods, have required all Field Officers to direct their efforts at response and recovery and taken time away from encouraging and facilitating municipal exercises.
  - Continual changes in emergency management personnel within municipalities has resulted in delays in organizing and facilitating exercises, as the new staff learn their roles and a rapport is developed with the Field Officer.

The *Emergency Management Act* assigns a majority of the responsibility and authority for response to emergencies and disasters to the local order of government. The Act specifies the powers of a local authority that are available during a time of emergency or disaster and the Act also specifies the structure and preparedness actions the municipality is obliged to complete.

This Act recognizes some local government organizations do not have sufficient resources to meet all of the obligations for structure or preparedness actions, so the Act defines which forms of local governments are subject to the Act. The municipal organizations physically cover the entire landmass of Alberta (excluding First Nations reserves) with no overlap. The number of municipalities decreases annually as a result of dissolutions and amalgamations.

The *Emergency Management Act* states each of the 306 local authorities "shall prepare and approve emergency plans and programs." These municipal emergency plans represent the recorded preparations of the municipality to respond to a disaster or emergency. In any given year, a municipality is considered to have demonstrated preparedness by exercising its plan if:

- it conducts a desktop, functional or simulated exercise to assess the plan's effectiveness; or
- it activates its Municipal Emergency Plan in response to a real event, confirming its plan and procedures are effective.

This performance measure is designed to demonstrate that all of the municipalities covered under the Act maintain their preparedness by exercising their municipal emergency plans at least once in the previous four-year period.

Expense by Function (Unaudited)

Ministry of Municipal Affairs
For the year ended March 31, 2014
(in thousands of dollars)

	2014		2013
	Budget	Actual	Actual
Protection of Persons and Property	$ 73,819	$ 107,952	$ 81,754
Regional Planning and Development	980,450	970,818	951,528
Recreation and Culture	32,507	32,463	32,460
Housing	155,774	138,758	157,952
Social Services	64,500	64,045	66,122
General Government	54,625	57,634	52,986
2013 Alberta Flooding	-	2,427,583	-
Debt Servicing Costs	12,291	12,289	14,100
	$ 1,373,966	$ 3,811,542	$ 1,356,902

FINANCIAL INFORMATION

Financial Statements for the year ended March 31, 2014

49 Ministry of Municipal Affairs
Consolidated Financial Statements

73 Department of Municipal Affairs
Financial Statements

99 Alberta Social Housing Corporation
Financial Statements

123 Safety Codes Council
Financial Statements

139 Summary Statement of Revenues and Expenditures of the Improvement Districts' Trust Account – UNAUDITED*

141 Special Areas Trust Account
Financial Statements

** NOTE: The unaudited financial information being presented here was derived from the December 31, 2013, financial statements of each Improvement District.*

Ministry of Municipal Affairs

Consolidated Financial Statements

March 31, 2014

Independent Auditor's Report
Consolidated Statement of Operations
Consolidated Statement of Financial Position
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements
Schedules to the Consolidated Financial Statements:

1 Revenues
2 Expenses - Directly Incurred Detailed by Object
3 Budget Reconciliation
4 Related Party Transactions
5 Allocated Costs

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Municipal Affairs, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Municipal Affairs as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2014

Edmonton, Alberta

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2014
(in thousands)

	2014		2013
	Constructed Budget (Schedule 3)	Actual	Actual
Revenues (Schedule 1)			
Government Transfers			
Federal Government Grants	$ 93,070	$ 1,533,922	$ 62,717
Premiums, Fees and Licenses	14,954	8,947	7,592
Investment Income	2,780	3,526	3,745
Other Revenue	18,783	31,489	70,489
	129,587	1,577,884	144,543
Expenses - Directly Incurred (Note 2(c) and Schedule 5)			
Program (Schedule 2)			
Ministry Support Services	19,103	16,544	14,387
Local Government Services	31,767	25,121	22,717
Municipal Sustainability Initiative	896,000	896,000	896,000
Grants in Place of Taxes	54,625	57,634	52,986
Regional Collaboration Program	28,839	29,030	14,805
Public Safety	20,992	17,137	18,402
Alberta Emergency Management Agency	45,899	83,729	57,133
Municipal Government Board	4,741	4,124	3,620
Library Services	32,507	32,463	32,460
Housing	10,323	9,190	29,210
2013 Alberta Flooding (Note 18)	-	2,427,583	-
Alberta Social Housing Corporation	209,951	193,613	194,864
Safety Codes Council	6,928	7,085	6,218
	1,361,675	3,799,253	1,342,802
Debt Servicing			
Alberta Social Housing Corporation	12,291	12,289	14,100
	1,373,966	3,811,542	1,356,902
Net Operating Results	$ (1,244,379)	$ (2,233,658)	$ (1,212,359)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2014
(in thousands)

	2014	2013
Assets		
Cash and Cash Equivalents (Note 3)	$ 275,014	$ 291,237
Accounts Receivable (Note 4)	1,181,248	266,369
Portfolio Investments (Note 5)	6,604	5,308
Loans and Advances (Note 6)	22,413	21,449
Tangible Capital Assets (Note 8)	618,295	618,764
	$ 2,103,574	$ 1,203,127
Liabilities		
Accounts Payable and Accrued Liabilities	$ 2,359,710	$ 523,404
Deferred Revenue (Note 9)	40,354	20,171
Debentures and Notes Payable (Note 10)	142,427	172,890
	2,542,491	716,465
Net Assets (Liabilities)		
Net Assets at Beginning of Year	486,662	225,600
Net Operating Results	(2,233,658)	(1,212,359)
Net Financing Provided from General Revenues	1,308,079	1,473,421
Net (Liabilities) Assets at End of Year	(438,917)	486,662
	$ 2,103,574	$ 1,203,127

Contingent Liabilities and Contractual Obligations (Notes 11 and 12)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2014
(in thousands)

	2014 Actual	2013 Actual
Operating Transactions		
Net Operating Results	$ (2,233,658)	$ (1,212,359)
Non-cash items included in Net Operating Results:		
Amortization	27,485	27,346
Gain on Disposal of Tangible Capital Assets	(2,362)	(1,414)
Loss on Disposal of Tangible Capital Assets	935	152
	(2,207,600)	(1,186,275)
(Increase) Decrease in Accounts Receivable	(914,879)	9,181
Increase in Loans and Advances	(964)	(13,489)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,836,306	(239,091)
Increase in Deferred Revenue	20,183	20,000
Cash Applied to Operating Transactions	(1,266,954)	(1,409,674)
Capital Transactions		
Acquisition of Tangible Capital Assets	(28,280)	(13,563)
Proceeds on Disposal of Tangible Capital Assets	2,691	1,462
Cash Applied to Capital Transactions	(25,589)	(12,101)
Investing Transactions		
Purchase of Portfolio Investments	(7,567)	(1,208)
Sale of Portfolio Investments	6,271	35
Cash Applied to Investing Transactions	(1,296)	(1,173)
Financing Transactions		
Repayment of Debentures and Notes Payable	(30,463)	(28,664)
Net Financing Provided from General Revenues	1,308,079	1,473,421
Cash Provided by Financing Transactions	1,277,616	1,444,757
(Decrease) Increase in Cash	(16,223)	21,809
Cash at Beginning of Year	291,237	269,428
Cash at End of Year	$ 275,014	$ 291,237

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also disclosed in Note 2(a).

The ministry's mission is to help ensure Albertans are served by enduring, collaborative and accountable local governments; live in strong, safe and viable communities; and have access to affordable housing options. Its core businesses are to support municipalities and their communities, to coordinate public safety codes, fire and emergency management systems, and to provide safe, affordable housing options and services for low-income Albertans.

This is done by:

- Enhancing long-term viability and accountability of municipalities and their communities.
- Providing fair and timely decisions on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations.
- Providing low-income Albertans access to a range of safe and affordable housing options and services.
- Enhancing community and regional capacity for public safety through appropriate technical standards and support initiatives, enforcement, and strong collaborative risk management frameworks.
- Protecting Albertans from the effects of disaster and emergency events through a coordinated and all-hazards focused public safety system.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. The *Government Accountability Act* defines a ministry as including the department and any provincial agency and crown-controlled organization for which the minister is responsible. These consolidated financial statements include the accounts of the Department of Municipal Affairs (*Government Organization Act*), the Alberta Social Housing Corporation (*Alberta Housing Act*) and the Safety Codes Council (*Safety Codes Act*). The ministry is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these consolidated financial statements except by way of disclosure in Note 13.

The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(c) Basis of Financial Reporting (Cont'd)

Expenses (Cont'd)

Directly Incurred (Cont'd)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- debt servicing costs,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the ministry operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the ministry are limited to cash and cash equivalents, financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Loans and advances are recorded at cost less provisions for estimated losses. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies. Loans and advances include mortgages and advances to housing providers to address short term cash flow needs for specified projects and operating pressures.

Assets acquired by right are not included.

Tangible capital assets of the ministry are recorded at historical cost and, except for land, are amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(c) Basis of Financial Reporting (Cont'd)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets (Liabilities)

Net assets (liabilities) represent the difference between the carrying value of assets held by the ministry and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program, disclosed as $1,949,890 (2013 – $138,025) and accounts receivable from management bodies, disclosed as $7,392 (2013 – $10,587) in these financial statements are subject to measurement uncertainty. Included in the Disaster Recovery Program amount is $1,850,481 (2013 - nil) for 2013 Alberta Flooding.

A portion of the Government of Canada accounts receivable, $1,035,871 (2013 – $164,069) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. Included in this amount is $918,074 (2013 - nil) for 2013 Alberta Flooding. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time required to recover from disaster events.

Financial Instruments

Financial instruments consist of Accounts Receivable, Portfolio Investments, Loans and Advances, Accounts Payable and Accrued Liabilities, Deferred Revenue and Debentures and Notes Payable. They are initially recognized at cost and subsequently carried at amortized cost. Write-downs on financial assets are recognized when the amount of a loss is known with sufficient precision, and there is no reasonable expectation of recovery.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(c) Basis of Financial Reporting (Cont'd)

Risk Management

The ministry has minimal exposure to market price risk, liquidity risk, credit risk and interest rate risk due to the nature of its operations. Market price risk related to portfolio investments is managed through investment guidelines and policies, as monitored by management and the investment manager. Liquidity risk is minimized given the cash and cash equivalent balance within the ministry and maintaining a diverse and quality portfolio of investments in pooled funds. Exposure to credit risk is reduced as the primary creditors of the ministry are the Government of Alberta and the federal government. Credit risk is further managed by investing portfolio investments in diversified pooled funds. The ministry has minimal exposure to interest rate risk as the interest rate is fixed for Debentures and Notes Payable. Guidelines and investment policies are set for portfolio investments and monitored by management and the investment advisor.

(d) Change in Accounting Policy

PS 3450 Financial Instruments

In June 2011 the Public Sector Accounting Board issued this accounting standard and subsequently extended the effective date to April 1, 2016 from April 1, 2015.

The ministry has not yet adopted this standard and has the option of adopting it in fiscal year 2016-17 or earlier. Adoption of this standard requires corresponding adoption of PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents include deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short term securities with a maximum term to maturity of three years. As at March 31, 2014, securities held by the Fund have a time-weighted return of 1.2% per annum (2013 – 1.3% per annum). Due to the short term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2014			2013
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada	$ 1,128,415	$ -	$ 1,128,415	$ 236,068
Housing Providers	7,392	-	7,392	10,587
Alberta Risk Management Fund	7,737	-	7,737	12,917
Ministry of Aboriginal Relations	31,526	-	31,526	-
Other	7,730	(1,552)	6,178	6,797
	$ 1,182,800	$ (1,552)	$ 1,181,248	$ 266,369

NOTE 5 PORTFOLIO INVESTMENTS

(in thousands)

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Interest Bearing Securities[1]				
Deposits and short-term securities	$ 12	$ 12	$ 495	$ 495
Bonds and mortgages	3,368	3,370	3,749	3,720
	3,380	3,382	4,244	4,215
Equities				
Pooled Investment Funds	3,224	3,469	-	-
Canadian Public Equities	-	-	1,064	1,500
	$ 6,604	$ 6,851	$ 5,308	$ 5,715

Following is the maturity structure based on principal amount:

	2014	2013
Under 1 Year	1%	13%
1 to 5 Years	28%	45%
6 to 10 Years	41%	42%
11 to 20 Years	8%	0%
Over 20 Years	22%	0%
	100%	100%

NOTE 6 LOANS AND ADVANCES

(in thousands)

	2014			2013
	Gross Amount	Allowance for Losses	Net Realizable Value	Net Realizable Value
Rural and Native[1]	$ 516	$ -	$ 516	$ 968
Housing Providers' Reserves[2]	5,127	-	5,127	5,127
Rent Supplement[3]	14,327	-	14,327	14,327
Other Loans and Advances	2,443	-	2,443	1,027
	$ 22,413	$ -	$ 22,413	$ 21,449

(1) Mortgages receivable provided under the Rural and Native Housing program are repayable over an amortization period of 25 years with a five-year interest renewal term.

(2) Housing providers are provided an advance based on the number of housing units under management in order to address short term operating cash flow requirements during the year. These cash advances can be collected at any time at the discretion of the minister. These funds are required to be replenished by the housing providers.

(3) Housing management bodies are provided an advance for approximately two months of anticipated annual operational funding requirements to administer the Rent Supplement Program. These cash advances can be collected at any time at the discretion of the minister. These cash advances are replenished as monthly claims are processed.

NOTE 7 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable (excluding disaster recovery accounts receivable) and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of Loans and Advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability. The fair value of Debentures and Notes Payable is disclosed in Note 10.

Disaster Recovery accounts receivable $1,035,871 (2013 – $164,069), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the ministry believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the ministry is unable to estimate the fair value.

NOTE 8 TANGIBLE CAPITAL ASSETS

(in thousands)

	2014				
	Land	Buildings & Leasehold Improvements	Equipment[1]	Computer Hardware and Software	Total
Estimated useful life	Indefinite	10-50 years	5-10 years	3-5 years	
Historical Cost[2]					
Beginning of year	$ 115,403	$ 1,129,765	$ 25,590	$ 21,986	$ 1,292,744
Additions	-	20,962	12	7,306	28,280
Disposals, including write-downs	(150)	(2,784)	(8)	(177)	(3,119)
	$ 115,253	$ 1,147,943	$ 25,594	$ 29,115	$ 1,317,905
Accumulated Amortization					
Beginning of year	$ -	$ 652,409	$ 5,385	$ 16,186	$ 673,980
Amortization expense	-	23,685	2,430	1,370	27,485
Effect of disposals	-	(1,690)	(7)	(158)	(1,855)
	$ -	$ 674,404	$ 7,808	$ 17,398	$ 699,610
Net book value at March 31, 2014	$ 115,253	$ 473,539	$ 17,786	$ 11,717	$ 618,295
Net book value at March 31, 2013	$ 115,403	$ 477,356	$ 20,205	$ 5,800	$ 618,764

(1) Equipment includes modular homes, vehicles, office equipment and other equipment.

(2) Historical cost includes work-in-progress at March 31, 2014 totaling $32,267 comprised of: buildings $27,314 (2013 - $6,209); and computer hardware and software $4,953 (2013 - $3,770).

NOTE 9 DEFERRED REVENUE

(in thousands)

	2014	2013
Unearned revenue (i)	$ 294	$ 171
Unspent deferred capital contribution (ii)	40,060	20,000
	$ 40,354	$ 20,171

(i) Unearned Revenue[1]	2014	2013
Balance, beginning of year	$ 171	$ 171
Received/receivable during year	678	488
Less amounts recognized as revenue	(555)	(488)
Balance, end of year	$ 294	$ 171

(ii) Unspent deferred capital contribution[2]	2014	2013
Balance, beginning of year	$ 20,000	$ -
Contributions received/receivable during the year	20,060	20,000
Balance, end of year	$ 40,060	$ 20,000

(1) Unearned Revenue includes miscellaneous fees and rental revenue.

(2) Federal funding under the Canada-Alberta Agreement for Investment in Affordable housing with Canada Mortgage and Housing Corporation (CMHC).

NOTE 10 DEBENTURES AND NOTES PAYABLE

(in thousands)

The ministry's long term debt and exposure to interest rate risk are summarized as follows:

	2014	2013
Canada Mortgage and Housing Corporation[1]	$ 64,516	$ 66,865
Alberta Treasury Board and Finance[2]	77,911	106,025
	$ 142,427	$ 172,890

[1] Debentures maturing January 2023 to January 2030, with a weighted average effective rate of 9.668%.

[2] Notes payable maturing September 16, 2016, with an effective rate of 5.93%.

The Province of Alberta guarantees the repayment of principal and interest on all borrowings. The debentures, including interest thereon, are repayable in equal annual or semi-annual installments and the note payable is repayable in equal semi-annual installments.

Approximate aggregate repayments of principal in each of the next five years are:

2015	$ 32,378
2016	34,415
2017	19,588
2018	3,375
2019	3,696
Thereafter	48,975
	$ 142,427

Long-term debt has a fair value of $90,856 (2013 – $97,627) for Canada Mortgage and Housing Corporation debentures and $83,514 (2013 – $115,507) for the note payable to Alberta Treasury Board and Finance. Fair values for debt are based on the Province of Alberta's current borrowing rates which are available to the ministry for debt with similar terms and maturities.

NOTE 11 CONTINGENT LIABILITIES

(in thousands)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The ministry has been named in five (2013 – seven) claims of which the outcome is not determinable. Of these claims, all five (2013 – seven) have specified amounts totaling $9,303 (2013 – $6,671). Included in the total claims, three claims totaling $5,813 (2013 – six claims totaling $1,171) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 12 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2014	2013
Contracts[1]	$ 223,038	$ 43,158
Agreements[2]	6,446,000	7,342,000
Operating Leases[3]	35,915	36,032
Programs[4]	231,475	202,058
	$ 6,936,428	$ 7,623,248

(1) Includes contracts for supplies and services, an operating lease for office space and equipment leases.

(2) Agreements of $6,446,000 relate to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Ministry of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

(3) The ministry leases land for the purpose of providing social housing.

(4) Includes agreements to provide funding for housing program delivery and capital development projects.

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Contracts	Agreements	Operating Leases	Programs	Total
2014-15	$ 195,246	$ 901,000	$ 1,646	$ 50,457	$ 1,148,349
2015-16	7,168	911,000	1,643	23,067	942,878
2016-17	7,010	921,000	1,634	22,547	952,191
2017-18	6,943	921,000	1,608	20,907	950,458
2018-19	6,671	921,000	1,434	18,981	948,086
Thereafter	-	1,871,000	27,950	95,516	1,994,466
	$ 223,038	$ 6,446,000	$ 35,915	$ 231,475	$ 6,936,428

NOTE 13 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the audited financial statements of the trust funds for December 31, 2013 and December 31, 2012 are as follows:

	2013	2012
Special Areas Trust Account	$ 270,611	$ 250,975
Improvement Districts' Trust Account[1]	15,010	11,994
	$ 285,621	$ 262,969

(1) Improvement District No. 4, 9, 12, 13, 24 and 349 are unaudited for 2013.

NOTE 14 PAYMENTS UNDER AGREEMENT

(in thousands)

The ministry has entered into agreements to deliver programs and services that are fully funded by:

- Public Safety Canada to deliver the Joint Emergency Preparedness Program which is designed to provide financial assistance, on a cost-shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- Aboriginal Affairs and Northern Development Canada to deliver the Alberta First Nations Emergency Management Support Program.

Costs under these agreements are incurred by the ministry under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $515 (2013 – $2,220) and accounts payable includes $1 (2013 – $1,913) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	2014	2013
Joint Emergency Preparedness Program	$ 32	$ 1,110
First Nations Emergency Management Support Program	843	637
	$ 875	$ 1,747

NOTE 15 PROGRAM RECOVERIES

The Canada Mortgage and Housing Corporation (CMHC) provides contributions toward subsidies of rental properties and mortgages receivable and for certain capital costs, the administration expenses and net operating results of approved community housing projects through cost-sharing agreements. CMHC also provides contributions for net operating results of approved community, special needs and seniors housing and rent supplement projects.

NOTE 16 HOUSING PROVIDERS

The ministry supports the provision of seniors and community housing through housing providers. Grants are provided to cover operating support for various housing programs and are recorded as expenses. Recoveries are received from housing providers who operate with surpluses and are recorded as revenues. Costs for property insurance, amortization and interest on long term debt are incurred and recorded by the ministry; housing providers do not incur or record these expenses.

NOTE 17 BENEFIT PLANS

(in thousands)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $7,423 for the year ended March 31, 2014 (2013 – $6,090). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 17 BENEFIT PLANS (Cont'd)

(in thousands)

At December 31, 2013, the Management Employees Pension Plan reported a surplus of $50,457 (2012 – deficiency $303,423), the Public Service Pension Plan reported a deficiency of $1,254,678 (2012 – deficiency $1,645,141) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $12,384 (2012 – deficiency $51,870).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2014, the Bargaining Unit Plan reported an actuarial surplus of $ 75,200 (2013 – surplus $51,717) and the Management, Opted Out and Excluded Plan an actuarial surplus of $24,055 (2013 – surplus $18,327). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 18 2013 ALBERTA FLOODING

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, agriculture, municipalities, and government ministries for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the ministry through the authority of the *Disaster Recovery Regulation*.

The ministry recognizes the DRP expense when the Government of Alberta issues an Order in Council. For the 2013 Alberta Flooding this occurred on June 25, 2013.

The ministry recognizes Disaster Financial Assistance Arrangements (DFAA) revenue when the Government of Canada (GoC) issues an Order in Council (OiC) declaring the Alberta disaster to be of a concern to the GoC. For the 2013 Alberta Flooding this occurred on July 3, 2013 through OiC 162.

The estimate of the DFAA revenue from the GoC is determined by assessing eligible DRP expenses under the DFAA guidelines. As a result, some DRP expenses have been excluded from the DFAA revenue. The ministry will continue to pursue revenue from the GoC for expenses that are currently excluded from the DFAA guidelines.

Also, the Province's flood recovery initiatives included non-disaster recovery programs (non-DRP). The ministry recognizes non-DRP expenses when the expense recognition criteria are met.

For both the DRP and non-DRP, the expenses are net of recoveries from insurance and other third parties.

NOTE 18 2013 ALBERTA FLOODING (Cont'd)

(in thousands)

Amounts pertaining to the 2013 Alberta Flooding recognized in these financial statements are as follows:

	2014	2013
Consolidated Statement of Operations		
Revenue		
Federal Government Grants [1][2]	$ 1,418,074	$ -
Expenses		
2013 Alberta Flooding		
Disaster Recovery Program [1]	2,405,360	-
Non Disaster Recovery Program	22,223	-
	2,427,583	-
Consolidated Statement of Financial Position		
Accounts Receivable (Government of Canada) [1]	918,074	-
Accounts Payable and Accrued Liabilities [1]	1,850,481	-

[1] These are estimated amounts based on projected DRP expenses.

[2] A $500,000 advance was received from the Government of Canada in March 2014.

NOTE 19 COMPARATIVE FIGURES

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

NOTE 20 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the senior financial officer and the deputy minister.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
REVENUES
Year ended March 31, 2014
(in thousands)

Schedule 1

	2014		2013
	Constructed Budget	Actual	Actual
Federal and Other Government Grants			
Recoveries from Canada Mortgage and Housing Corporation (Note 15)	$ 93,070	$ 75,003	$ 74,100
Disaster Financial Assistance Arrangements	-	1,459,087	(11,342)
Other	-	(168)	(41)
	93,070	1,533,922	62,717
Premiums, Fees and Licences	14,954	8,947	7,592
Investment Income	2,780	3,526	3,745
Other Revenue			
Recoveries from Housing Providers (Note 16)	-	5,130	8,496
Current Expenditure Refunds	6,553	4,696	4,767
Rental Revenue	-	1,000	1,169
Prior Year Expenditure Refunds	-	18,219	54,567
Gain on Disposal of Tangible Capital Assets	2,400	2,362	1,414
Miscellaneous	9,830	82	76
	18,783	31,489	70,489
	$ 129,587	$ 1,577,884	$ 144,543

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 2**
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
Year ended March 31, 2014
(in thousands)

	2014		2013
	Constructed Budget	Actual	Actual
Salaries, Wages and Employee Benefits	$ 70,060	$ 104,855	$ 57,898
Supplies and Services	36,885	385,657	35,644
Grants	1,224,636	3,279,764	1,221,305
Debt Servicing Costs	12,291	12,289	14,100
Amortization of Tangible Capital Assets	29,995	27,485	27,346
Financial Transactions and Other	99	1,492	609
	$ 1,373,966	$ 3,811,542	$ 1,356,902

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 3**
BUDGET RECONCILIATION
Year ended March 31, 2014
(in thousands)

	2013-14 Estimate[1]	Adjustments to conform to Accounting Policy[2]	2013-14 Constructed Budget
Revenues			
Federal and Other Government Grants	$ 72,880	$ 20,190	$ 93,070
Premiums, Fees and Licences	14,954	-	14,954
Investment Income	2,780	-	2,780
Other Revenue	18,783	-	18,783
	109,397	20,190	129,587
Expenses - Directly Incurred			
Program			
Ministry Support Services	19,103	-	19,103
Local Government Services	31,767	-	31,767
Municipal Sustainability Initiative	50,000	846,000	896,000
Grants in Place of Taxes	54,625	-	54,625
Regional Collaboration Program	28,839	-	28,839
Public Safety	16,092	4,900	20,992
Alberta Emergency Management Agency	45,624	275	45,899
Municipal Government Board	4,741	-	4,741
Library Services	32,507	-	32,507
Housing	10,323	-	10,323
2013 Alberta Flooding	-	-	-
Alberta Social Housing Corporation	189,761	20,190	209,951
Safety Code Council	6,928	-	6,928
	490,310	871,365	1,361,675
Debt Servicing			
Alberta Social Housing Corporation	12,291	-	12,291
	502,601	871,365	1,373,966
Net Operating Results	$ (393,204)	$ (851,175)	$ (1,244,379)
Capital Spending	$ 900,915	$ (851,175)	$ 49,740

[1] The 2013-14 Government Estimates on the Statement of Operations does not differentiate between amounts not required to be voted and voted expenses. Valuation adjustments are included.

- Operational amounts are cash disbursements for the purpose of salaries, supplies, and services, and operating grants.

- Capital consists of cash disbursements for the purpose of investments in tangible capital assets valued at $5,000 or more and grants for capital purposes.

[2] Accounting Adjustments are in accordance with PS1200.125 and include:

I. Adjustments for Revenues:

- Capital revenues (Transfers from Government of Canada) shown under "Capital Revenue" in the 2013-14 Government Estimates.

II. Adjustments for Expenses:

- Operating expense included in Capital Spending (capital grants).

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 4**
RELATED PARTY TRANSACTIONS
Year ended March 31, 2014
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the ministry.

The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The ministry had the following transactions with related parties recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2014	2013
Revenues		
Rental Revenue	$ 101	$ -
	$ 101	$ -
Expenses - Directly Incurred		
Grants	$ 63,640	$ 14
Business and Technology Services	2,122	1,316
Insurance	5,461	5,977
Debt Servicing Costs	5,885	7,506
Other Services	557	248
	$ 77,665	$ 15,061
Accounts Receivable		
Alberta Risk Management Fund	$ 7,737	$ 12,917
Ministry of Treasury Board and Finance	84	162
Ministry of Aboriginal Relations	31,526	-
	$ 39,347	$ 13,079
Accounts Payable		
Ministry of Treasury Board and Finance [1]	$ 78,101	$ 106,283
Ministry of Infrastructure	55	1,004
Ministry of Health	10	-
Alberta Risk Management Fund	538	542
Health Authorities	24,592	-
School Jurisdictions	19,605	-
Post Secondary Institutions	75	14
	$ 122,976	$ 107,843

[1] Debt and accrued interest on debt.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 4

RELATED PARTY TRANSACTIONS

(Cont'd)

Year ended March 31, 2014

(in thousands)

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Other Entities	
	2014	2013
Expenses - Incurred by Others (Schedule 5)		
Accommodation	$ 5,769	$ 6,265
Business Services[1]	3,095	3,227
Legal	1,281	1,128
	$ 10,145	$ 10,620

[1] Business Services includes financial and administrative services and air transportation costs.

The ministry paid $56,939 (2013 - $52,269) of grants in place of taxes on behalf of other ministries.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 5**
ALLOCATED COSTS
Year ended March 31, 2014
(in thousands)

	2014					2013
		Expenses - Incurred by Others				
Program	Expenses[1]	Accommodation Costs[2]	Business Services[3]	Legal Services[4]	Expenses	Expenses
Ministry Support Services	$ 16,544	$ 866	$ 3,095	$ 102	$ 20,607	$ 18,859
Local Government Services	25,121	1,800	-	411	27,332	25,318
Municipal Sustainability Initiative	896,000	-	-	-	896,000	896,000
Grants in Place of Taxes	57,634	-	-	-	57,634	52,986
Regional Collaboration Program	29,030	-	-	-	29,030	14,805
Public Safety	17,137	856	-	264	18,257	19,730
Alberta Emergency Management Agency	83,729	603	-	326	84,658	57,951
Municipal Government Board	4,124	165	-	2	4,291	3,868
Library Services	32,463	107	-	-	32,570	32,565
Housing	9,190	73	-	135	9,398	29,461
2013 Alberta Flooding	2,427,583	642	-	-	2,428,225	-
Alberta Social Housing Corporation	205,902	657	-	41	206,600	209,761
Safety Codes Council	7,085	-	-	-	7,085	6,218
	$ 3,811,542	$ 5,769	$ 3,095	$ 1,281	$ 3,821,687	$ 1,367,522

[1] Expenses – Directly Incurred as per Consolidated Statement of Operations.

[2] Cost shown for Accommodation on Schedule 4, allocated by number of employees.

[3] Business Services includes financial and administrative services and air transportation allocated by estimated costs incurred in each program.

[4] Costs shown for Legal Services on Schedule 4, allocated by estimated costs incurred by each program.

Department of Municipal Affairs

Financial Statements

March 31, 2014

Independent Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements:

1 Revenues
2 Credit or Recovery
3 Expenses - Directly Incurred Detailed by Object
4 Budget Reconciliation
5 Lapse/Encumbrance
6 Salary and Benefits Disclosure
7 Related Party Transactions
8 Allocated Costs

Independent Auditor's Report

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Municipal Affairs, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Municipal Affairs as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2014

Edmonton, Alberta

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF OPERATIONS
Year ended March 31, 2014
(in thousands)

	2014		2013
	Constructed Budget (Schedule 4)	Actual	Actual (Restated - Note 3)
Revenues (Schedule 1)			
Government Transfers			
Federal Government Grants	$ -	$ 1,458,919	$ (11,193)
Premiums, Fees and Licences	8,504	1,094	483
Other Revenue	6,553	17,975	53,198
	15,057	1,477,988	42,488
Expenses - Directly Incurred (Note 2(b) and Schedule 8)			
Program (Schedules 3 and 5)			
Ministry Support Services	19,103	16,544	14,387
Local Government Services	31,767	25,121	22,717
Municipal Sustainability Initiative	896,000	896,000	896,000
Grants in Place of Taxes	54,625	57,634	52,986
Regional Collaboration Program	28,839	29,030	14,805
Public Safety	20,992	17,137	19,902
Alberta Emergency Management Agency	45,899	83,729	57,422
Municipal Government Board	4,741	4,124	3,620
Library Services	32,507	32,463	32,460
Housing	137,355	137,222	161,635
2013 Alberta Flooding (Note 13)	-	2,427,583	-
	1,271,828	3,726,587	1,275,934
Net Operating Results	$ (1,256,771)	$ (2,248,599)	$ (1,233,446)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
As at March 31, 2014
(in thousands)

	2014	2013
Assets		
Cash	$ 33	$ -
Accounts Receivable (Note 4)	1,086,137	218,217
Tangible Capital Assets (Note 6)	3,441	2,669
	$ 1,089,611	$ 220,886
Liabilities		
Accounts Payable and Accrued Liabilities	$ 2,317,416	$ 508,252
Deferred Revenue (Note 7)	84	3
	2,317,500	508,255
Net Liabilities		
Net Liabilities at Beginning of Year	(287,369)	(527,344)
Net Operating Results	(2,248,599)	(1,233,446)
Net Financing Provided from General Revenues	1,308,079	1,473,421
Net Liabilities at End of Year	(1,227,889)	(287,369)
	$ 1,089,611	$ 220,886

Contingent liabilities and contractual obligations (Notes 8 and 9)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF CASH FLOWS
Year ended March 31, 2014
(in thousands)

	2014	2013
Operating Transactions		
Net Operating Results	$ (2,248,599)	$ (1,233,446)
Non-cash items included in Net Operating Results:		
Amortization	1,416	1,284
Loss on Disposal of Tangible Capital Assets	-	9
	(2,247,183)	(1,232,153)
(Increase) Decrease in Accounts Receivable	(867,920)	30,572
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,809,164	(271,184)
Increase in Deferred Revenue	81	3
Cash Applied to Operating Transactions	(1,305,858)	(1,472,762)
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,188)	(692)
Cash Applied to Capital Transactions	(2,188)	(692)
Financing Transactions		
Net Financing Provided from General Revenues	1,308,079	1,473,421
Cash Provided by Financing Transactions	1,308,079	1,473,421
Increase (Decrease) in Cash	33	(33)
Cash at Beginning of Year	-	33
Cash at End of Year	$ 33	$ -

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 1 AUTHORITY AND PURPOSE

The Department of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The department's mission is to help ensure Albertans are served by enduring, collaborative and accountable local governments; live in strong, safe and viable communities; and have access to affordable housing options. Its core businesses are to support municipalities and their communities, to coordinate public safety codes, fire and emergency management systems, and to provide safe, affordable housing options and services for low-income Albertans.

This is done by:

- Enhancing long-term viability and accountability of municipalities and their communities.
- Providing fair, timely and well-reasoned decisions on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations.
- Providing low-income Albertans access to a range of safe and affordable housing options and services.
- Enhancing community and regional capacity for public safety through appropriate technical standards and support initiatives, enforcement, and strong collaborative risk management frameworks.
- Protecting Albertans from the effects of disaster and emergency events through a coordinated and all hazards focused public safety system.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Department of Municipal Affairs which is part of the Ministry of Municipal Affairs and for which the Minister of Municipal Affairs is accountable. Other entities reporting to the minister are the Alberta Social Housing Corporation and the Safety Codes Council. The activities of these organizations are not included in these financial statements. The department is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these financial statements except by way of disclosure in Note 10 to these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms of the transfer, or the stipulations together with the department's actions and communications as to the use of transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the department is eligible to receive the funds.

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

The department recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada. Because the accounts receivable from the Government of Canada for Disaster Financial Assistance Arrangements is based on an estimate, adjustments to the accounts receivable are reflected in current year revenue.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's Credit or Recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Expenses (Cont'd)

Directly Incurred (Cont'd)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the department operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to cash, financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included.

Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Net Liabilities

Net Liabilities represent the difference between the carrying value of assets held by the department and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program, disclosed as $1,949,890 (2013 – $138,025) in these financial statements are subject to measurement uncertainty. Included in this amount is $1,850,481 (2013 - nil) for 2013 Alberta Flooding.

A portion of the Government of Canada accounts receivable, $1,035,871 (2013 – $164,069) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. Included in this amount is $918,074 (2013 - nil) for 2013 Alberta Flooding. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time required to recover from disaster events.

NOTE 3 PROGRAM TRANSFER

(in thousands)

Effective April 1, 2013, responsibility for the Special Needs Housing Program was transferred from the Department of Municipal Affairs to the Alberta Social Housing Corporation. Assistance for the Special Needs Housing Program is provided by the department to the Alberta Social Housing Corporation. Comparatives for 2013 have been restated to reflect this program transfer.

There was no effect on net liabilities as a result of the program transfer.

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2014			2013
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada	$ 1,084,447	$ -	$ 1,084,447	$ 214,692
Other	3,210	(1,520)	1,690	3,525
	$ 1,087,657	$ (1,520)	$ 1,086,137	$ 218,217

NOTE 5 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Receivable (excluding disaster recovery accounts receivable) and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

Disaster Recovery accounts receivable $1,035,871 (2013 – $164,069), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the department believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the department is unable to estimate the fair value.

NOTE 6 TANGIBLE CAPITAL ASSETS

(in thousands)

	2014		
	Equipment[1]	Computer Hardware and Software	Total
Estimated useful life	10 years	5 years	
Historical Cost			
Beginning of Year	$ 2,710	$ 17,548	$ 20,258
Additions	10	2,178	2,188
	$ 2,720	$ 19,726	$ 22,446
Accumulated Amortization			
Beginning of Year	1,819	15,770	17,589
Amortization Expense	149	1,267	1,416
	1,968	17,037	19,005
Net book value at March 31, 2014	$ 752	$ 2,689	$ 3,441
Net book value at March 31, 2013	$ 891	$ 1,778	$ 2,669

[1] Equipment includes vehicles, office equipment and other equipment.

NOTE 7 DEFERRED REVENUE

(in thousands)

	2014	2013
Balance, beginning of year	$ 3	$ -
Received during the year	84	3
Less amounts recognized as revenue	(3)	-
Balance, end of year	$ 84	$ 3

Deferred Revenue includes miscellaneous fees and rental revenue.

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The department has been named in three (2013 – two) claims of which the outcome is not determinable. Of these claims, three (2013 – two) have specified amounts totalling $8,990 (2013 – $5,660). Included in the total claims, one claim totalling $5,500 (2013 – one claim totalling $160) is covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2014	2013 (Restated- Note 3)
Service Contracts	$ 66,761	$ 13,163
Agreements[1]	6,446,000	7,342,000
	$ 6,512,761	$ 7,355,163

[1] Agreements of $6,446,000 relate to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Department of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

NOTE 9 CONTRACTUAL OBLIGATIONS (Cont'd)

(in thousands)

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contracts	Agreements	Total
2014-15	$ 65,561	$ 901,000	$ 966,561
2015-16	520	911,000	911,520
2016-17	362	921,000	921,362
2017-18	295	921,000	921,295
2018-19	23	921,000	921,023
Thereafter	-	1,871,000	1,871,000
	$ 66,761	$ 6,446,000	$ 6,512,761

NOTE 10 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the audited financial statements of the trust funds for December 31, 2013 and December 31, 2012 are as follows:

	2013	2012
Special Areas Trust Account	$ 270,611	$ 250,975
Improvement Districts' Trust Account [1]	15,010	11,994
	$ 285,621	$ 262,969

[1] Improvement District No. 4, 9, 12, 13, 24, 25 and 349 are unaudited for 2013.

NOTE 11 PAYMENTS UNDER AGREEMENT

(in thousands)

The department has entered into agreements to deliver programs and services that are fully funded by:

- Public Safety Canada to deliver the Joint Emergency Preparedness Program which is designed to provide financial assistance, on a cost-shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- Aboriginal Affairs and Northern Development Canada to deliver the Alberta First Nations Emergency Management Support Program.

Costs under these agreements are incurred by the department under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $515 (2013 – $2,220) and accounts payable includes $1 (2013 – $1,913) relating to payments under agreement.

NOTE 11 PAYMENTS UNDER AGREEMENT (Cont'd)

(in thousands)

Amounts paid and payable under agreements with program sponsors are as follows:

	2014	2013
Joint Emergency Preparedness Program	$ 32	$ 1,110
First Nations Emergency Management Support Program	843	637
	$ 875	$ 1,747

NOTE 12 BENEFIT PLANS

(in thousands)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $7,423 for the year ended March 31, 2014 (2013 – $6,090). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2013, the Management Employees Pension Plan reported a surplus of $50,457 (2012 – deficiency $303,423), the Public Service Pension Plan reported a deficiency of $1,254,678 (2012 – deficiency $1,645,141) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $12,384 (2012 – deficiency $51,870).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2014, the Bargaining Unit Plan reported an actuarial surplus of $75,200 (2013 – surplus $51,717) and the Management, Opted Out and Excluded Plan an actuarial surplus of $24,055 (2013 – surplus $18,327). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 13 2013 ALBERTA FLOODING

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, agriculture, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the department through the authority of the *Disaster Recovery Regulation*.

The department recognizes the DRP expense when the Government of Alberta issues an Order in Council. For the 2013 Alberta Flooding this occurred on June 25, 2013.

The department recognizes Disaster Financial Assistance Arrangements (DFAA) revenue when the Government of Canada (GoC) issues an Order in Council (OiC) declaring the Alberta disaster to be of a concern to the GoC. For the 2013 Alberta Flooding this occurred on July 3, 2013 through OiC 162.

The estimate of DFAA revenue from the GoC is determined by assessing eligible DRP expenses under the DFAA guidelines. As a result, some DRP expenses have been excluded from the DFAA revenue. The department will continue to pursue revenue from the GoC for expenses that are currently excluded from the DFAA guidelines.

NOTE 13 2013 ALBERTA FLOODING (Cont'd)

(in thousands)

Also, the Province's flood recovery initiatives included non-disaster recovery programs (non-DRP). The department recognizes non-DRP expenses when the expense recognition criteria are met.

For both the DRP and non-DRP, the expenses are net of recoveries from insurance and other third parties.

Amounts pertaining to the 2013 Alberta Flooding recognized in these financial statements are as follows:

	2014	2013
Statement of Operations		
Revenue		
Federal Government Grants [1][2]	$ 1,418,074	$ -
Expenses		
2013 Alberta Flooding		
Disaster Recovery Program [1]	2,405,360	-
Non Disaster Recovery Program	22,223	-
	2,427,583	-
Statement of Financial Position		
Accounts Receivable (Government of Canada) [1]	918,074	-
Accounts Payable and Accrued Liabilities [1]	1,850,481	-

[1] These are estimated amounts based on projected DRP expenses.

[2] A $500,000 advance was received from the Government of Canada in March 2014.

NOTE 14 COMPARATIVE FIGURES

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

NOTE 15 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the senior financial officer and the deputy minister.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
REVENUES
Year ended March 31, 2014
(in thousands)

Schedule 1

	2014		2013
	Constructed Budget	Actual	Actual (Restated - Note 3)
Federal and Other Government Grants			
Disaster Financial Assistance Arrangements	$ -	$ 1,459,087	$ (11,342)
Recoveries from Canada Mortgage and Housing Corporation - Affordable Housing	-	-	190
Other	-	(168)	(41)
	-	1,458,919	(11,193)
Premiums, Fees and Licences	8,504	1,094	483
Other Revenue			
Current Expenditure Refunds	6,553	4,665	4,728
Prior Year Expenditure Refunds	-	13,298	48,438
Miscellaneous	-	12	32
	6,553	17,975	53,198
Total Revenues	$ 15,057	$ 1,477,988	$ 42,488

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
CREDIT OR RECOVERY
Year ended March 31, 2014
(in thousands)

Schedule 2

	2014			
	Authorized[1]	Actual	Actual Cash Received/ Receivable	(Shortfall)/ Excess[2]
Local Government Services				
Linear Assessment Services[3]	$ 3,347	$ 3,347	$ 3,347	$ -
	$ 3,347	$ 3,347	$ 3,347	$ -

[1] Only expenditures are authorized.

[2] Shortfall is deducted from current year's authorized spending.

[3] The department prepares linear property assessments for various municipalities on a cost recovery basis. The department prepares the linear property assessments, sends assessment notices to taxpayers, defends the assessments and provides data to municipalities, who in turn charge taxes to the owners of the linear property. The revenue is reported as part of other revenue on the Statement of Operations.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS **Schedule 3**
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
Year ended March 31, 2014
(in thousands)

	2014		2013
	Constructed Budget	Actual	Actual (Restated - Note 3)
Salaries, Wages and Employee Benefits	$ 67,009	$ 100,696	$ 54,228
Supplies and Services	30,011	375,400	25,737
Grants	1,171,544	3,248,552	1,194,580
Amortization of Tangible Capital Assets	3,165	1,415	1,284
Other	99	524	105
	$ 1,271,828	$ 3,726,587	$ 1,275,934

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
BUDGET RECONCILIATION
Year ended March 31, 2014
(in thousands)

Schedule 4

	2013 -14 Estimate[1]	Adjustments to Conform to Accounting Policy [2]	2013-14 Constructed Budget
Revenues			
Federal and Other Government Grants	$ -	$ -	$ -
Premiums, Fees and Licences	8,504	-	8,504
Other Revenue	6,553	-	6,553
	15,057	-	15,057
Expenses - Directly Incurred			
Programs			
Ministry Support Services	19,103	-	19,103
Local Government Services	31,767	-	31,767
Municipal Sustainability Initiative	50,000	846,000	896,000
Grants in Place of Taxes	54,625	-	54,625
Regional Collaboration Program	28,839	-	28,839
Public Safety	16,092	4,900	20,992
Alberta Emergency Management Agency	45,624	275	45,899
Municipal Government Board	4,741	-	4,741
Library Services	32,507	-	32,507
Housing	137,355	-	137,355
2013 Alberta Flooding	-	-	-
	420,653	851,175	1,271,828
Net Operating Results	$ (405,596)	$ (851,175)	$ (1,256,771)
Capital Spending	$ 855,740	$ (851,175)	$ 4,565

(1) The 2013-14 Government Estimates on the Statement of Operations does not differentiate between amounts not required to be voted and voted expenses. Valuation adjustments are included.
- Operational amounts are cash disbursements for the purpose of salaries, supplies, and services, and operating grants.
- Capital consists of cash disbursements for the purpose of investments in tangible capital assets valued at $5,000 or more, and grants for capital purposes.

(2) Accounting Adjustments are in accordance with PS1200.125 and include:
Adjustments for Expenses:
- Operating expense included in Capital Spending (capital grants).

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2014
(in thousands)

Schedule 5

		Voted Estimate [1]	Supplementary Estimate [2]	Adjustments [3]	Adjusted Voted Estimate	Voted Actuals [4]	Unexpended (Over Expended)
Program - Operational							
1	**Ministry Support Services**						
1.1	Minister's Office	$ 912	$ -	$ -	$ 912	$ 853	$ 59
1.2	Associate Minister's Office	286	-	-	286	74	212
1.3	Deputy Minister's Office	924	-	-	924	909	15
1.4	Support Services	16,091	-	-	16,091	14,561	1,530
		18,213	-	-	18,213	16,397	1,816
2	**Local Government Services**						
2.1	Major Legislative Projects and Strategic Planning	4,817	-	-	4,817	4,128	689
2.2	Municipal Services	9,484	-	-	9,484	7,843	1,641
2.3	Grants and Education Property Tax	6,284	-	-	6,284	4,612	1,672
2.4	Assessment Services	9,715	-	-	9,715	7,672	2,043
		30,300	-	-	30,300	24,255	6,045
3	**Municipal Sustainability Initiative**	50,000	(1,570)	-	48,430	48,430	-
4	**Grants in Place of Taxes**	54,625	-	-	54,625	57,634	(3,009)
5	**Regional Collaboration Program**	28,839	(5,630)	-	23,209	23,080	129
6	**Public Safety**						
6.1	Division Support	1,542	-	-	1,542	1,507	35
6.2	Program Management	435	-	-	435	625	(190)
6.3	Technical Services	2,540	-	-	2,540	1,916	624
6.4	Regional Services	4,898	-	-	4,898	3,994	904
6.5	Tank Site Remediation Program	435	-	-	435	408	27
6.6	Office of the Fire Commissioner	3,691	-	-	3,691	3,525	166
6.7	Home Warranty Program	1,751	(1,228)	-	523	998	(475)
		15,292	(1,228)	-	14,064	12,973	1,091

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2014
(in thousands)

Schedule 5
(Cont'd)

		Voted Estimate [1]	Supplementary Estimate [2]	Adjustments [3]	Adjusted Voted Estimate	Voted Actuals [4]	Unexpended (Over Expended)
7	**Alberta Emergency Management Agency**						
7.1	Managing Director's Office	735	-	-	735	448	287
7.2	Public Safety Initiatives	4,201	-	-	4,201	4,595	(394)
7.3	Provincial Operations	4,936	-		4,936	4,440	496
7.4	Disaster Recovery	27,542	9,070	-	36,612	38,484	(1,872)
7.5	Emergency Preparedness Grants	150	-	-	150	150	-
		37,564	9,070	-	46,634	48,117	(1,483)
8	**Municipal Government Board**	4,737	-	-	4,737	4,103	634
9	**Library Services**						
9.1	Library Services Operations	1,341	-	-	1,341	1,196	145
9.2	Provincial Library Network	31,166	-	-	31,166	31,271	(105)
		32,507	-	-	32,507	32,467	40
10	**Housing**						
10.1	Divisional Support	593	-	-	593	720	(127)
10.2	Housing Capital Programs	3,438	-	-	3,438	2,731	707
10.3	Stakeholder Relations and Housing Strategies	2,310	-	-	2,310	1,630	680
10.4	Housing Funding and Accountability	3,888	-	-	3,888	4,090	(202)
10.5	Assistance to Alberta Social Housing Corporation - Debt Repayment	30,463	-	-	30,463	30,463	-
10.6	Assistance to Alberta Social Housing Corporation - Housing Providers	6,569	-	-	6,569	7,569	(1,000)
10.7	Assistance to Alberta Social Housing Corporation - Rent Supplement	52,500	-	-	52,500	52,500	-
10.8	Assistance to Alberta Social Housing Corporation - Seniors Lodges	35,720	-	-	35,720	35,720	-
10.9	Assistance to Alberta Social Housing Corporation - Special Needs	1,780	-	-	1,780	1,780	-
		137,261	-	-	137,261	137,203	58
11	**2013 Alberta Flooding [5]**						
11.1	Disaster Recovery Program	-	1,457,247	-	1,457,247	1,457,247	-
11.2	Community Flood Mitigation Projects	-	15,150	-	15,150	399	14,751
11.3	Property Tax Relief	-	42,000	-	42,000	115	41,885
11.4	Municipal Flood Readiness	-	11,250	-	11,250	9,779	1,471
		-	1,525,647	-	1,525,647	1,467,540	58,107
	Total	$ 409,338	$ 1,526,289	$ -	$ 1,935,627	$ 1,872,199	$ 63,428
	Lapse/(Encumbrance)						$ 63,428

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2014
(in thousands)

Schedule 5
(Cont'd)

		Voted Estimate [1]	Supplementary Estimate [2]	Adjustments [3]	Adjusted Voted Estimate	Voted Actuals [4]	Unexpended (Over Expended)
Program - Capital							
1	**Ministry Support Services**						
1.4	Support Services	$ 100	$ -	$ -	$ 100	136	$ (36)
2	**Local Government Services**						
2.2	Municipal Services	100	-	-	100	-	100
2.3	Grants and Education Property Tax	468	-	-	468	245	223
2.4	Assessment Services	522	-	-	522	168	354
		1,090	-	-	1,090	413	677
3	**Municipal Sustainability Initiative**	846,000	1,570	-	847,570	847,570	-
5	**Regional Collaboration Program**	-	5,630	-	5,630	5,950	(320)
6	**Public Safety**						
6.1	Divisional Support	-	-	-	-	18	(18)
6.5	Tank Site Remediation Program	4,900	-	-	4,900	3,980	920
6.7	Home Warranty Program	3,375	-	625	4,000	1,621	2,379
		8,275	-	625	8,900	5,619	3,281
7	**Alberta Emergency Management Agency**						
7.4	Disaster Recovery	275	40,541	-	40,816	35,475	5,341
11	**2013 Alberta Flooding [5]**						
11.2	Community Flood Mitigation Projects	-	9,300	-	9,300	11,929	(2,629)
		-	9,300	-	9,300	11,929	(2,629)
	Total	$ 855,740	$ 57,041	$ 625	$ 913,406	$ 907,092	$ 6,314
	Lapse/(Encumbrance)						$ 6,314

[1] As per "Operational Vote by Program" and "Voted Capital Vote by Program" page 182 to page 183 of 2013-14 Government Estimates.

[2] Per the Supplementary Estimates approved on December 11, 2013 and March 13, 2014. These include transfers from other departments as outlined below:

- $9,000 for enrolment stabilization and $50 for learning resources from Education due to the 2013 Alberta Flooding.
- $4,000 from Transportation to repair water and wastewater infrastructure due to the 2013 Alberta Flooding.

[3] Adjustments include an approved increase of $625,000 in capital as a carry over of unused 2012-13 capital investments appropriations, pursuant to the *Financial Administration Act*, Section 28.1.

[4] Actuals exclude non-voted amounts such as amortization and valuation adjustments.

[5] The 2013 Alberta Flooding amounts shown in this schedule amounting to $1,467,540 and $11,929 differ from the 2013 Alberta Flooding expense line shown on the Statement of Operations amounting to $2,427,583 by an amount of $948,114. The $948,114 does not require any 2013 supply vote authority since it requires no expenditure of public money during the year ended March 31, 2014. Any cash disbursement related to this amount will be authorized under a financial transaction supply vote in a future year.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year ended March 31, 2014
(in dollars)

Schedule 6

	2014				2013
	Base Salary[1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Department					
Deputy Minister[4]	$275,159	$ 28,206	$ 86,270	$389,635	$ 358,684
Assistant Deputy Ministers					
Local Government Services	192,891	42,862	56,947	292,700	247,862
Public Safety	192,891	1,850	56,110	250,851	247,866
Corporate Strategic Services	192,891	1,850	59,976	254,717	245,799
Housing	192,891	1,850	55,950	250,691	245,720
Alberta Emergency Management Agency					
Managing Director[4]	187,078	18,200	54,913	260,191	225,550

[1] Base salary includes regular salary and earnings such as acting pay.

[2] Other cash benefits include vacation payouts, lump sum payments and management compensation related to the Government of Alberta's response to the 2013 Alberta Flooding. There were no bonuses paid in 2014.

[3] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

[4] Automobile provided, no dollar amount included in other non-cash benefits.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS **Schedule 7**
RELATED PARTY TRANSACTIONS
Year ended March 31, 2014
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2014	2013 (Restated - Note 3)	2014	2013
Expenses - Directly Incurred				
Grants	$ 128,032	$ 134,212	$ 63,640	$ 14
Business and Technology Services	-	-	2,122	1,316
Insurance	-	-	101	117
Other Services	-	-	557	248
	$ 128,032	$ 134,212	$ 66,420	$ 1,695
Receivables from				
Alberta Social Housing Corporation	$ -	$ 616	$ -	$ -
Payables to				
Alberta Social Housing Corporation	$ 14,002	$ 2,045	$ -	$ -
Safety Codes Council	350	1,500	-	-
Health Authorities	-	-	24,592	-
School Jurisdictions	-	-	19,605	-
Post Secondary Institutions	-	-	75	14
Department of Health	-	-	10	-
	$ 14,352	$ 3,545	$ 44,282	$ 14

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2014
(in thousands)

Schedule 7
(Cont'd)

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Other Entities	
	2014	2013
Expenses - Incurred by Others (Schedule 8)		
Accommodation	$ 5,112	$ 5,534
Business Services[1]	3,095	3,227
Legal	1,240	1,063
	$ 9,447	$ 9,824

[1] Business Services includes financial and administrative services and air transportation costs.

The department paid $57,018 (2013 - $52,353) of grants in place of taxes on behalf of other ministries.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
Year ended March 31, 2014
(in thousands)

Schedule 8

	2014					2013
		Expenses - Incurred by Others				(Restated - Note 3)
Program	Expenses[1]	Accommodation Costs[2]	Business Services[3]	Legal Services[4]	Total Expenses	Total Expenses
Ministry Support Services	$ 16,544	$ 866	$ 3,095	$ 102	$ 20,607	$ 18,859
Local Government Services	25,121	1,800	-	411	27,332	25,318
Municipal Sustainability Initiative	896,000	-	-	-	896,000	896,000
Grants in Place of Taxes	57,634	-	-	-	57,634	52,986
Regional Collaboration Program	29,030	-	-	-	29,030	14,805
Public Safety	17,137	856	-	264	18,257	21,230
Alberta Emergency Management Agency	83,729	603	-	326	84,658	58,240
Municipal Government Board	4,124	165	-	2	4,291	3,868
Library Services	32,463	107	-	-	32,570	32,565
Housing	137,222	73	-	135	137,430	161,887
2013 Alberta Flooding	2,427,583	642	-	-	2,428,225	-
	$ 3,726,587	$ 5,112	$ 3,095	$ 1,240	$ 3,736,034	$ 1,285,758

[1] Expenses – Directly Incurred as per Statement of Operations.

[2] Cost shown for Accommodation on Schedule 7, allocated by number of employees.

[3] Business Services includes financial and administrative services and air transportation allocated by estimated costs incurred by each program.

[4] Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

Alberta Social Housing Corporation

Financial Statements

March 31, 2014

Independent Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements:

1 Revenues
2 Expenses - Directly Incurred Detailed by Object
3 Budget Reconciliation
4 Capital Spending
5 Related Party Transactions
6 Allocated Costs

Independent Auditor's Report

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Social Housing Corporation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Social Housing Corporation as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2014

Edmonton, Alberta

ALBERTA SOCIAL HOUSING CORPORATION
STATEMENT OF OPERATIONS
Year ended March 31, 2014

	2014 Budget (Schedule 3)	2014 Actual	2013 Actual (Restated - Note 3)
		(in thousands)	
Revenues (Schedule 1)			
Government Transfers			
Government of Alberta Grants	$ 127,032	$ 128,032	$ 132,712
Federal Government Grants (Note 14)	93,070	75,003	73,910
Investment Income	2,600	3,129	3,560
Other Revenue	11,782	13,416	17,283
	234,484	219,580	227,465
Expenses - Directly Incurred (Note 2(b) and 6, Schedules 2 and 6)			
Programs			
Family Housing			
Rent Supplement	64,500	64,045	66,122
Community Housing (Note 15)	56,716	57,891	60,699
Other Housing	70	123	153
Seniors Housing (Note 15)	80,134	63,376	60,559
Special Needs Housing (Note 3)	5,992	5,543	5,078
Emergency Housing (Note 4)	2,539	2,635	2,253
Debt Servicing	12,291	12,289	14,100
	222,242	205,902	208,964
Annual operating surplus	$ 12,242	$ 13,678	$ 18,501

The accompanying notes and schedules are part of these financial statements.

ALBERTA SOCIAL HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2014

	2014	2013
	(in thousands)	
Assets		
Cash and Cash Equivalents (Note 5)	$ 273,556	$ 291,039
Accounts Receivable (Note 6)	108,484	50,221
Loans and Advances (Note 7)	22,409	21,445
Tangible Capital Assets (Note 8)	613,848	615,010
	$ 1,018,297	$ 977,715
Liabilities		
Accounts Payable and Accrued Liabilities (Note 9)	$ 56,180	$ 18,888
Deferred Revenue (Note 10)	40,075	20,000
Debentures and Notes Payable (Note 11)	142,427	172,890
	$ 238,682	$ 211,778
Net Assets		
Net Assets at Beginning of Year	765,937	747,436
Annual Operating Surplus	13,678	18,501
Net Assets at End of Year	779,615	765,937
	$ 1,018,297	$ 977,715

Contingent Liabilities and Contractual Obligations (Notes 12 and 13)

The accompanying notes and schedules are part of these financial statements.

ALBERTA SOCIAL HOUSING CORPORATION
STATEMENT OF CASH FLOWS
Year ended March 31, 2014

	2014	2013
	(in thousands)	
Operating Transactions		
Annual Operating Surplus	$ 13,678	$ 18,501
Non-cash items included in Annual Surplus		
Amortization	25,833	25,830
Gains on Disposal of Tangible Capital Assets	(2,362)	(1,414)
Losses on Disposal of Tangible Capital Assets	915	139
	38,064	43,056
(Increase) Decrease in Accounts Receivable	(58,263)	24,799
Increase in Loans and Advances	(964)	(13,497)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	37,292	(12,552)
Increase in Deferred Revenue	20,075	20,000
Cash Provided by Operating Transactions	36,204	61,806
Capital Transactions		
Acquisition of Tangible Capital Assets	(25,915)	(12,648)
Proceeds on Disposal/Sale of Tangible Capital Assets	2,691	1,462
Cash Applied to Capital Transactions	(23,224)	(11,186)
Financing Transactions		
Repayment of Debentures and Notes Payable	(30,463)	(28,664)
Cash Applied to Financing Transactions	(30,463)	(28,664)
Increase (Decrease) in Cash and Cash Equivalents	(17,483)	21,956
Cash and Cash Equivalents at Beginning of Year	291,039	269,083
Cash and Cash Equivalents at End of Year	$ 273,556	$ 291,039

The accompanying notes and schedules are part of these financial statements.

ALBERTA SOCIAL HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Social Housing Corporation (the Corporation) operates under the authority of the Alberta Housing Act, Chapter A-25, Revised Statutes of Alberta 2000. The Act is administered by the Department of Municipal Affairs.

The Corporation's primary purpose is to facilitate the provision of affordable housing options through community based housing organizations to low-income seniors, families, individuals and those with special needs. The Corporation owns and administers the Crown's portfolio of housing assets and manages provincial debts and agreements associated with those assets. This includes administering the sale of provincially owned properties that are no longer efficient or effective for social housing programs. The Corporation also oversees the provincial commitments and entitlements remaining from discontinued business activities such as mortgages and loan guarantees.

The Corporation is a crown agent of the Government of Alberta and as such has a tax exempt status.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Municipal Affairs and for which the Minister of Municipal Affairs is accountable. Other entities reporting to the Minister are the Department of Municipal Affairs and the Safety Codes Council. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenue accounting policy
All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government transfers
Transfers from the Government of Alberta and federal government are referred to as government transfers.

Government of Alberta transfers are recognized as revenue when authorized.

Federal government transfers provided to support several operating programs of the Corporation are recognized as revenue when authorized and as eligibility criteria are met. The federal government also provides up front funding to the Corporation for certain approved housing initiatives which is initially recorded as a liability. Revenue is recognized as the Corporation has met eligibility requirements. Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Corporation has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- amortization of tangible capital assets,
- debt servicing costs, and
- valuation adjustments which includes changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value.

Grant Expense

Grants are recognized as expenses when authorized, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Corporation's operations are not recognized and are disclosed in Schedule 5 and allocated to programs in Schedule 6.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Corporation are limited to financial claims, such as advances to and receivables from other organizations and individuals.

There were no assets acquired by rights for the Corporation.

Loans and advances are recorded at cost less provisions for estimated losses. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies. Loans and advances include mortgages and advances to housing providers to address short term cash flow needs for specified projects and operating pressures.

Tangible capital assets of the Corporation are recorded at historical cost and, except for land, are amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Liabilities
Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets
Net Assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities
Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability. The fair value of long term debt is disclosed in Note 11.

Financial Instruments
Financial instruments consist of Cash and Cash Equivalents, Accounts Receivable, Loans and Advances, Accounts Payable and Accrued Liabilities, and Debentures and Notes Payable. They are initially recognized at cost and subsequently carried at amortized cost. Write-downs on financial assets are recognized when the amount of a loss is known with sufficient precision, and there is no reasonable expectation of recovery. The Corporation does not own any derivatives, portfolio investments or other financial instruments designated in the fair value category and as such has not included a Statement of Remeasurement Gains and Losses.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Risk Management
The Corporation has minimal exposure to credit risk, liquidity risk and interest rate risk due to the nature of its operations. The primary creditors of the Corporation are the Government of Alberta and the federal government. Both governments provide operational support to the Corporation, thus reducing exposure to credit risk. Liquidity risk is minimized given the cash and cash equivalent balance within the Corporation and the annual operational funding provided by the Department of Municipal Affairs for debt repayment. As interest rates on Debentures and Notes Payable are fixed, the Corporation is not exposed to interest rate fluctuation risk because the future cash flows of the debt will not fluctuate with future market interest rate change.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Estimates relating to the determination of the management bodies accounts receivable recorded and disclosed as $7,392 (2013 - $10,587) in these financial statements, is subject to measurement uncertainty.

NOTE 3 PROGRAM TRANSFER

The Special Needs Housing Program was transferred from the Department of Municipal Affairs to the Corporation effective April 1, 2013. Assistance to the Corporation to administer the Special Needs Housing program is provided by the department and the federal government. Comparatives for 2013 have been restated as if the Corporation had always been assigned with these responsibilities.

There was no effect on net assets as a result of the program transfer.

NOTE 4 EMERGENCY HOUSING
(in thousands)

During 2013-14 the Alberta Social Housing Corporation was assigned responsibility as part of the Government's Flood response to provide emergency and interim housing for those Albertans displaced by the Southern Alberta flood incident. The Corporation also provided direct support to Housing Management Bodies whose residents were displaced and buildings were impacted by the flood. In addition, the Corporation was asked by the Department of Aboriginal Relations to assist with not only the provision of emergency and interim housing but the inspections, repairs and rebuilds of homes on Siksika and Stoney First Nations. The costs incurred by the Corporation in response to the flood have been fully offset by the Alberta Government through the Department of Municipal Affairs and the Department of Aboriginal Relations, which will reflect the costs. Neither the flood costs incurred by the Corporation during the year or the reimbursement are reflected in these financial statements. The amounts incurred total $176,971. However, funds due to or payable from the Corporation, including contractual obligations reflect flood related amounts and are included in these statements. These amounts are disclosed in Note 6, 9, and 13 respectively.

NOTE 5 CASH AND CASH EQUIVALENTS

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality short term securities with a maximum term to maturity of three years. As at March 31, 2014, securities held by the fund have a time-weighted return of 1.2% per annum (2013: 1.3% per annum). Due to the short term nature of CCITF investments, the carrying value approximates fair value.

NOTE 6 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2014			2013
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Aboriginal Relations[a]	$ 31,526	$ -	$ 31,526	$ -
Department of Municipal Affairs[a]	14,002	-	14,002	2,045
Canada Mortgage and Housing Corporation	43,968	-	43,968	21,376
Housing Providers	7,392	-	7,392	10,587
Alberta Risk Management Fund[a]	7,737	-	7,737	12,917
Other	3,889	(30)	3,859	3,296
	$ 108,514	$ (30)	$ 108,484	$ 50,221

(a) Costs incurred by the Corporation in response to the flood, have been fully offset through the Departments of Municipal Affairs and Aboriginal Relations and the Alberta Risk Management Fund. Flood related funds due to the Corporation totalling $46,315 is comprised of $31,526 from the Department of Aboriginal Relations, $14,002 from the Department of Municipal Affairs and $787 from the Alberta Risk Management Fund.

NOTE 7 LOANS AND ADVANCES

(in thousands)

	2014			2013
	Gross Amount	Allowance for Losses	Net Realizable Value	Net Realizable Value
Rural and Native [a]	$ 516	$ -	$ 516	$ 968
Housing Providers' Reserves [b]	5,127	-	5,127	5,127
Rent Supplement [c]	14,327	-	14,327	14,327
Other Loans and Advances [d]	2,439	-	2,439	1,023
	$ 22,409	$ -	$ 22,409	$ 21,445

(a) Mortgages receivable provided under the Rural and Native Housing program are repayable over an amortization period of 25 years with a five-year interest renewal term.

(b) Housing Providers are provided an advance based on the number of housing units under management in order to address short term operating cash flow requirements during the year. These cash advances can be collected at any time at the discretion of the Minister. These funds are required to be replenished by the Housing Providers.

(c) Housing Management Bodies are provided an advance for approximately two months of anticipated annual operational funding requirements to administer the Rent Supplement Program. These cash advances can be collected at any time at the discretion of the Minister. These cash advances are replenished as monthly claims are processed.

(d) Cash advances totalling $1,240 were provided to Housing Management Bodies and vendors as a result of the Southern Alberta Flooding incident to help manage flood disaster relief and address cash flow needs.

NOTE 8 TANGIBLE CAPITAL ASSETS

(in thousands)

	Land	Buildings[a]	Emergency Housing	Computer Hardware and Software	Total
Estimated Useful Life	Indefinite	10-50 years	10 years	3 years	
Historical Cost[b]					
Beginning of year	$ 115,403	$ 1,128,739	$ 22,539	$ 3,770	$ 1,270,451
Additions (Schedule 4)	-	20,962	-	$ 4,953	25,915
Disposals, Including Write-downs	(150)	(2,784)	-	-	(2,934)
	$ 115,253	$ 1,146,917	$ 22,539	$ 8,723	$ 1,293,432
Accumulated Amortization					
Beginning of Year	-	652,071	3,370	-	655,441
Amortization Expense	-	23,580	2,253	-	25,833
Effect of Disposals	-	(1,690)	-	-	(1,690)
	-	673,961	5,623	-	679,584
Net Book Value at March 31, 2014	$ 115,253	$ 472,956	$ 16,916	$ 8,723	$ 613,848
Net Book Value at March 31, 2013	$ 115,403	$ 476,668	$ 19,169	$ 3,770	$ 615,010

(a) Seniors and special needs buildings are amortized over 50 years, community housing buildings over 40 to 50 years, and all other buildings over 10 to 25 years.

(b) Historical cost includes work-in-progress at March 31, 2014 totalling $32,267 comprised of: buildings $27,314 (2013 - $6,209); and computer hardware and software $4,953 (2013 - $3,770).

NOTE 9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2014	2013
Alberta Infrastructure	$ 55	$ 1,004
Alberta Risk Management Fund	538	542
Alberta Treasury Board and Finance	190	258
Canada Mortgage and Housing Corporation	2,577	8,008
Housing Providers	3,642	8,112
Other[a]	49,178	964
	$ 56,180	$ 18,888

(a) $46,320 are flood related payables for the provision of emergency and interim housing, assisting inspections, repairs and rebuilds of homes, and providing direct support to Housing Management Bodies.

NOTE 10 DEFERRED REVENUE

(in thousands)

	2014	2013
Balance, beginning of year	$ 20,000	$ -
Add: Unearned revenue received during year [a]	15	-
Add: Deferred capital contributions receivable during year [b]	20,060	20,000
Balance, end of year	$ 40,075	$ 20,000

(a) Rental revenues have been received during the year for seniors housing lease rentals where a portion of the annual lease payments due to timing have not been recognized as revenue.

(b) Federal funding has been committed to improving and preserving the quality of Affordable Housing under the Canada-Alberta Agreement for Investment in Affordable Housing with Canada Mortgage and Housing Corporation (CMHC). No capital contributions have been spent or recognized as revenue in 2013 and 2014.

NOTE 11 DEBENTURES AND NOTES PAYABLE

(in thousands)

The Corporation's long term debt and exposure to interest rate risk are summarized as follows:

	2014	2013
Canada Mortgage and Housing Corporation [a]	$ 64,516	$ 66,865
Alberta Treasury Board and Finance [b]	77,911	106,025
	$ 142,427	$ 172,890

(a) Debentures maturing January 2023 to January 2030, with a weighted average effective rate of 9.668%.

(b) Note payable maturing September 16, 2016, with an effective rate of 5.93%.

The Province of Alberta guarantees the repayment of principal and interest on all borrowings. The debentures, including interest thereon, are repayable in equal annual or semi-annual instalments and the note payable is repayable in equal semi-annual instalments.

Approximate aggregate repayments of principal in each of the next five years are:

2015	32,378
2016	34,415
2017	19,588
2018	3,375
2019	3,696
Thereafter	48,975
	$ 142,427

Long term debt has a fair value of $90,856 (2013 - $97,627) for Canada Mortgage and Housing Corporation debentures and $83,154 (2013 - $115,507) for the note payable to Alberta Treasury Board and Finance. Fair values for debt are based on the Province of Alberta's current borrowing rates which are available to the Corporation for debt with similar terms and maturities.

NOTE 12 CONTINGENT LIABILITIES

(in thousands)

The Corporation is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Corporation has been named in two (2013: five) claims of which the outcome is not determinable. Of these claims, all two (2013: five) have specified amounts totalling $313 (2013: $1,011). Included in the total claims, all two claims totalling $313 (2013: five claims totalling $1,011) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 13 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met. Grants for housing providers approved for future years have been included as a program obligation.

	2014	2013 (Restated Note 3)
Obligations under Operating Leases, Contracts and Programs [a]	$ 382,368	$ 237,716
Obligations under Capital Contracts	40,069	28,964
	$ 422,437	$ 266,680

(a) $156,277 are flood related contractual obligations of the Corporation in the provision of emergency and interim housing, assisting inspections, repairs and rebuilds of homes, and providing direct support to Housing Management Bodies.

NOTE 13 CONTRACTUAL OBLIGATIONS (Cont'd)

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Operating Contracts and Programs		Operating Leases[b]	Total
	Southern Alberta Flood	Housing Providers[a]		
2014-15	$ 129,685	$ 20,581	$ 1,347	$ 151,613
2015-16	6,648	18,965	1,347	26,960
2016-17	6,648	18,956	1,347	26,951
2017-18	6,648	18,866	1,347	26,861
2018-19	6,648	18,522	1,347	26,517
Thereafter	-	95,516	27,950	123,466
	$ 156,277	$ 191,406	$ 34,685	$ 382,368

(a) Grants committed for future years under agreement with Housing Providers that would fund operating supports and amortization costs.

(b) The Corporation leases land under various leases for the purpose of providing social housing.

Obligations Under Capital Contracts[c]

	Total
2014-15	$ 29,876
2015-16	4,102
2016-17	3,591
2017-18	2,041
2018-19	459
Thereafter	-
	$ 40,069

(c) These capital contracts are made up of grants to Housing Providers, developing an integrated information system initiative and the Corporation's development projects and capital asset maintenance.

NOTE 14 PROGRAM RECOVERIES

The Canada Mortgage and Housing Corporation (CMHC) provides contributions toward subsidies of rental properties and mortgages receivable and for certain capital costs, the administration expenses and net operating results of approved community housing projects through cost-sharing agreements. CMHC also provides contributions for net operating results of approved community, special needs and seniors housing and rent supplement projects.

NOTE 15 HOUSING PROVIDERS

The Corporation supports the provision of seniors and community housing through housing providers. Grants are provided to cover operating support for various housing programs and are recorded as expenses. Recoveries are received from housing providers who operate with surpluses and are recorded as revenues. Costs for property insurance, amortization and interest on long term debt are incurred and recorded by the Corporation; housing providers do not incur or record these expenses.

NOTE 16 SALARIES AND BENEFITS

The Corporation has no salaries or benefits to disclose due to the Corporation having no employees. The Department of Municipal Affairs staff administers the Corporation, and the estimated value of these services is included in Schedules 5 and 6 as an expense incurred by others.

The Corporation did not pay honoraria to its board members.

NOTE 17 COMPARATIVE FIGURES

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

NOTE 18 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Senior Financial Officer of the Department of Municipal Affairs and the President of the Alberta Social Housing Corporation.

Schedule 1

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
REVENUES
Year ended March 31, 2014

	2014 Budget (Schedule 3)	2014 Actual	2013 Actual (Restated - Note 3)
		(in thousands)	
Government of Alberta Grants			
Transfers from the Department of Municipal Affairs			
Rent Supplement	$ 52,500	$ 52,500	$ 59,100
Seniors Lodges	35,720	35,720	37,375
Debt Repayment	30,463	30,463	28,664
Housing Providers	6,569	7,569	4,901
Special Needs Housing	1,780	1,780	2,276
Emergency Housing	-	-	396
	127,032	128,032	132,712
Federal Government Grants			
Recoveries from Canada Mortgage and Housing Corporation (Note 14)			
Cost Shared Programs	77,420	59,554	58,871
Rent Supplement	12,000	12,144	12,062
Special Needs Housing	3,650	3,305	2,977
	93,070	75,003	73,910
Investment Income	2,600	3,129	3,560
Other Revenue			
Gains from Disposal of Tangible Capital Assets	2,400	2,362	1,414
Recoveries from Housing Providers (Note 15)	8,281	5,130	8,496
Rental Revenues	1,101	1,000	1,169
Refunds of Expenditures	-	4,921	6,202
Miscellaneous	-	3	2
	11,782	13,416	17,283
Total Revenues	$ 234,484	$ 219,580	$ 227,465

Schedule 2

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
Year ended March 31, 2014

	2014		2013
	Budget (Schedule 3)	Actual	Actual (Restated - Note 3)
		(in thousands)	
Supplies and Services	$ 3,180	$ 7,613	$ 7,640
Grants	180,124	159,244	160,938
Debt Servicing Costs	12,291	12,289	14,100
Amortization of Tangible Capital Assets	26,647	25,833	25,830
Other	-	923	456
	$ 222,242	$ 205,902	$ 208,964

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
BUDGET RECONCILIATION
Year ended March 31, 2014

	Original 2013-14 Budget	Adjustments to Conform to Accounting Policy	2013-14 Budget
		(in thousands)	
Revenues			
Government Transfers			
Government of Alberta Grants	$ 127,032	$ -	$ 127,032
Federal Government Grants[a]	72,880	20,190	93,070
Investment Income	2,600	-	2,600
Other Revenue	11,782	-	11,782
	214,294	20,190	234,484
Expenses - Directly Incurred			
Programs			
Family Housing			
Rent Supplement	64,500	-	64,500
Community Housing	56,716	-	56,716
Other Housing	70	-	70
Seniors Housing	60,134	20,000	80,134
Special Needs Housing[b]	5,802	190	5,992
Emergency Housing	2,539	-	2,539
Debt Servicing	12,291	-	12,291
	202,052	20,190	222,242
Annual operating surplus	$ 12,242	$ -	$ 12,242
Capital Spending	$ 65,190	$ (20,190)	$ 45,000
Financial Transactions	$ -	$ -	$ -

Accounting Adjustments are in accordance with Public Sector Accounting Standards and include:

I. Adjustments for Revenues:

(a) Capital revenues relate to funds from the Canada Mortgage and Housing Corporation in the amount of $20,190 under the Canada-Alberta Agreement for Investment in Affordable Housing shown under "Capital Revenue" in the 2013-14 Government Estimates.

II. Adjustments for Expenses:

(b) Operating expense included in Capital Spending (capital grants) in the amount of $190 related to funds from the Canada Mortgage and Housing Corporation under the Canada-Alberta Agreement for Investment in Affordable Housing. Under Section 8.1 of the Agreement, there is a requirement to allocate at least $130 in funding for victims of family violence.

Schedule 4

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
CAPITAL SPENDING
Year ended March 31, 2014

	Original 2013-14 Budget	2013-14 Actual[a]	2012-13 Actual
		(in thousands)	
Capital Spending			
Family Housing	$ 16,919	$ 4,763	$ 4,850
Seniors Housing	48,081	21,152	7,987
Special Needs Housing	190	-	-
Emergency Housing	-	-	288
Total	$ 65,190	$ 25,915	$ 13,125

(a) This includes the additions of $4,953 for system development allocated: $2,477 for Family Housing and $2,476 for Seniors Housing.

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2014
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the Department of Municipal Affairs.

The Corporation paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2014	2013	2014	2013
		(Restated - Note 3)		
Revenues				
Government of Alberta Transfers				
Department of Municipal Affairs	$ 128,032	$ 132,712	$ -	$ -
Rental Revenues	-	-	101	-
	$ 128,032	$ 132,712	$ 101	$ -
Expenses - Directly Incurred				
Alberta Risk Management Fund	$ -	$ -	$ 5,360	$ 5,860
Debt Servicing Costs	-	-	5,885	7,506
	$ -	$ -	$ 11,245	$ 13,366
Receivable from				
Alberta Risk Management Fund [1][2]	$ -	$ -	$ 7,737	$ 12,917
Alberta Treasury Board and Finance	-	-	84	162
Department of Municipal Affairs [2]	14,002	2,045	-	-
Department of Aboriginal Relations [2]	-	-	31,526	-
	$ 14,002	$ 2,045	$ 39,347	$ 13,079
Payable to				
Alberta Treasury Board and Finance [3]	$ -	$ -	$ 78,101	$ 106,283
Alberta Risk Management Fund	-	-	538	542
Department of Municipal Affairs	-	616	-	-
Alberta Infrastructure	-	-	55	1,004
	$ -	$ 616	$ 78,694	$ 107,829

[1] $6,950 of amounts due to the Corporation from the Alberta Risk Management Fund are for property insurance claims while the remaining $787 are flood related funds.

[2] Flood related funds due to the Corporation totalling $46,315 is comprised of $31,526 from the Department of Aboriginal Relations, $14,002 from the Department of Municipal Affairs, and $787 from the Alberta Risk Management Fund.

[3] Amount represents principal repayments and interest on debt.

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2014
(in thousands)

The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed on Schedule 6.

	Entities in the Ministry		Other Entities	
	2014	2013	2014	2013
Expenses - Incurred by Others (Schedule 5)				
Salaries and wages	$ 7,142	$ 6,156	$ -	$ -
Supplies and services	881	728	-	-
Accommodation	-	-	657	731
Legal	-	-	41	65
	$ 8,023	$ 6,884	$ 698	$ 796

Schedule 6

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
Year ended March 31, 2014
(in thousands)

	2014						2013
	Directly Incurred[1]	Expenses - Incurred by others[2]					(Restated - Note 3)
Program	Expenses	Debt Servicing Costs	Other Services[3]	Accommodation Costs[4]	Legal Services[5]	Total Expenses	Total Expenses
Rent Supplement	$ 64,045	$ -	$ 45	$ 4	$ 14	$ 64,108	$ 66,186
Community Housing	57,891	6,285	2,403	197	12	66,788	69,875
Seniors Housing	63,376	6,001	5,393	441	13	75,224	72,919
Special Needs Housing	5,543	3	105	9	1	5,661	5,183
Emergency Housing	2,635	-	-	-	1	2,636	2,254
Other Housing	123	-	77	6	-	206	227
	$ 193,613	$ 12,289	$ 8,023	$ 657	$ 41	$ 214,623	$ 216,644

[1] Expenses - Directly Incurred as per Statement of Operations.

[2] Costs shown for Expenses - Directly Incurred by Others are as disclosed in Schedule 5.

[3] Other Services includes salaries and wages, and supplies and services.

[4] Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 5, allocated by number of Department of Municipal Affairs staff that administers the Corporation.

[5] Costs shown for Legal Services on Schedule 5, allocated by estimated costs incurred by each program.

SAFETY CODES COUNCIL

Financial Statements

Year ended December 31, 2013

Financial Statements

Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Remeasurement Gains	3
Statement of Cash Flow	4
Notes to Financial Statements	5

Independent Auditor's Report

KPMG LLP
Chartered Accountants
Commerce Place
10125-102 Street
Edmonton, Alberta T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Safety Codes Council

We have audited the accompanying financial statements of Safety Codes Council (the "Council"), which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in net assets, remeasurement gains and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

CONTINUED ON NEXT PAGE

CONTINUED FROM PREVIOUS PAGE

Basis for Qualified Opinion

Operating fees received from municipalities and agencies are collected on behalf of the Council, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of operating fees revenue from municipalities and agencies was limited to the amounts recorded in the records of the Council and we were not able to determine whether any adjustments might be necessary to operating fees revenue, excess of revenues over expenses, accounts receivable and unrestricted net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2013, and the results of its operations, changes in net assets, remeasurement gains and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by KPMG, LLP]

Chartered Accountants

April 4, 2014
Edmonton, Canada

SAFETY CODES COUNCIL

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Current assets:		
Cash	$ 424,630	$ 269,631
Accounts receivable	544,767	473,760
Prepaid expenses and deposits	87,558	121,134
	1,056,955	864,525
Investments (note 2)	6,850,119	5,715,054
Capital assets (note 3)	1,016,998	1,096,396
	$ 8,924,072	$ 7,675,975
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 465,053	$ 422,198
Grants repayable (note 4)	-	74,438
Deferred revenue (note 4)	221,521	185,638
Current portion of deferred lease inducement	6,491	6,491
	693,065	688,765
Deferred lease inducement	20,016	26,507
Net assets:		
Unrestricted	4,167,439	2,676,050
Internally restricted (note 5)	3,000,000	3,000,000
Invested in capital assets	1,016,998	1,096,396
	8,184,437	6,772,446
Accumulated remeasurement gains	26,554	188,257
	8,210,991	6,960,703
Commitments (note 6)		
	$ 8,924,072	$ 7,675,975

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Revenues:		
Operating fees:		
Municipalities and agencies	$ 6,051,790	$ 5,379,842
Corporations	953,000	942,000
Course and exam fees (note 4)	470,479	415,522
Investment income	397,119	184,786
Master Electricians Program certification fees	224,960	215,043
Grants (note 4)	145,108	78,498
Certification (note 4)	77,250	63,229
Application development	69,100	84,950
Annual conference	56,218	21,745
Other revenues and recoveries	31,105	38,140
Designation of powers	12,975	17,825
Accreditation	4,050	3,900
Appeals	3,500	5,000
	8,496,554	7,450,480
Expenses:		
Salaries and benefits	4,158,475	3,622,426
Contractors and consultants	567,109	434,400
Office rental	517,951	486,949
Annual conference	304,927	194,043
Travel (note 7)	241,647	163,435
Amortization of capital assets	236,157	231,420
Electronic business solutions	196,784	173,559
Publications	141,617	123,731
Office and general	135,955	149,706
Course and seminar costs	102,485	98,577
Appeals	97,016	99,178
Meetings	74,679	59,857
Professional fees	65,656	42,694
Consulting fees	51,824	20,064
Honoraria (note 7)	43,181	47,810
Electronic conversion	37,257	-
Insurance	30,616	36,454
Bank and investment service charges	26,105	43,458
Loss on disposal of capital assets	20,530	3,842
New course development	9,941	57,358
Corporate memberships	9,292	3,274
Special training programs	9,199	13,065
Test bank validations	5,517	1,569
Code update training	504	951
New course version	165	18,717
Course revisions	74	-
Abandonment of application development project	-	91,386
	7,084,663	6,217,923
Excess of revenues over expenses	$ 1,411,991	$ 1,232,557

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

	Unrestricted	Internally restricted	Invested in capital assets	2013 Total	2012 Total
Balance, beginning of year	$ 2,676,050	$ 3,000,000	$ 1,096,396	$ 6,772,446	$ 5,539,889
Excess (deficiency) of revenues over expenses	1,668,678	-	(256,687)	1,411,991	1,232,557
Investment in capital assets, net	(177,289)	-	177,289	-	-
Balance, end of year	$ 4,167,439	$ 3,000,000	$ 1,016,998	$ 8,184,437	$ 6,772,446

Statement of Remeasurement Gains

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Accumulated remeasurement gains, beginning of year	$ 188,257	$ 120,737
Change in unrealized gains attributable to investments	26,554	67,520
Realized gains reclassified to statement of operations	(188,257)	-
Accumulated remeasurement gains, end of year	$ 26,554	$ 188,257

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Cash Flow

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 1,411,991	$ 1,232,557
Item not involving cash:		
Amortization of capital assets	236,157	231,420
Loss on disposal of capital assets	20,530	3,842
Amortization of deferred lease inducement	(6,491)	(6,491)
Changes in non-cash operating working capital:		
Accounts receivable	(71,007)	15,794
Prepaid expenses and deposits	33,576	(2,757)
Accounts payable and accrued liabilities	42,855	(52,995)
Grants repayable	(74,438)	(66,156)
Deferred revenue	35,883	(143,801)
	1,629,056	1,211,413
Capital activities:		
Purchase of capital assets	(177,289)	(221,169)
Investing activities:		
Reinvested net investment income from investments	(373,575)	(182,949)
Purchase of investments	(7,193,833)	(1,025,000)
Proceeds from disposition of investments	6,270,640	35,000
	(1,296,768)	(1,172,949)
Increase (decrease) in cash	154,999	(182,705)
Cash, beginning of year	269,631	452,336
Cash, end of year	$ 424,630	$ 269,631
Supplemental cash flow information:		
Bank and investment service charges paid	$ 26,105	$ 43,485

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Notes to Financial Statements

Year ended December 31, 2013

The Safety Codes Council (the "Council") is a corporation established under the Safety Codes Act of the Province of Alberta (Revised Statutes of Alberta 2000, Chapter S-1). The industry-based Council is comprised of a Council Chair, a Coordinating Committee, a Technical Coordinating Committee and Sub-councils in the following areas: amusement rides, boilers and pressure vessels, buildings, electrical, elevators, fire, gas, plumbing, barrier free and passenger ropeways.

The Council is responsible for reviewing, formulating and managing significant components of the administration of Alberta's safety system. The Council's mandate is to:

- develop and recommend safety codes and standards;
- promote uniform safety standards and practices;
- develop and administer a program to certify and designate Safety Codes Officers;
- develop and administer a program to accredit safety system partners;
- administer appeals for certification, accreditation and orders issued under the Safety Codes Act;
- administer the Master Electricians' program;
- establish and operate safety information and training programs;
- develop and administer a province wide electronic permitting system for use by accredited entities administering the Safety Codes Act; and
- engage in any other activities as directed by the Minister responsible for the Safety Codes Act.

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian public sector accounting standards. As a government not-for-profit organization, the Council has elected to follow the standards for not-for-profit organizations in the CPA Canada Public Sector Accounting Handbook. The Council's significant accounting policies are as follows:

(a) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Other revenues including operating fees from municipalities and agencies, corporations, courses and exams, Master Electrician Program certification fees, certification, annual conference, designation of powers, appeals and accreditation are recorded as they are earned. Other revenues that relate to future years are reflected as deferred revenue.

(b) Capital assets:

Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	30%
Leasehold improvements	Straight line	Over lease term

Copyrights are not amortized.

(c) Deferred lease inducement:

Deferred lease inducement represents the unamortized value of an inducement received when the Council entered into a lease arrangement for the rental of office space. Amortization is provided on a straight-line basis over the term of the related lease as a reduction in office rent.

(d) Contributed services:

Contributed supplies and services that would otherwise have been purchased are recorded as contributions and expenses. Such transactions are measured at the fair value at the date of contribution, when a fair value can be reasonably determined.

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial instruments are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gains and losses are reversed and recognized in the statement of operations.

Public Sector Accounting Standards require the Council to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

2. Investments:

	Level	2013	2012
Cash	1	$ 11,730	$ 178,455
Jarislowsky Fraser Money Market Fund	1	5,238	316,268
Pooled funds (quoted in an active market)			
Jarislowsky Fraser Bond Fund	1	4,434,694	-
Jarislowsky Fraser Canadian Equity Fund	1	2,398,457	-
Federal and provincial government bonds	2	-	950,389
Corporate bonds, debentures, and coupons	2	-	2,769,996
Corporate cumulative and non-cumulative preferred shares	2	-	281,660
Canadian common shares	1	-	1,218,286
		$ 6,850,119	$ 5,715,054

During the year, the Council transferred its investments to a new investment manager. Investment income includes realized gains in the amount of $188,257 related to this transfer.

3. Capital assets:

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Furniture and fixtures	$ 286,404	$ 185,245	$ 101,159	$ 124,634
Equipment	47,266	33,664	13,602	17,950
Computer hardware	353,159	159,822	193,337	145,951
Computer software	314,924	200,129	114,795	109,450
Leasehold improvements	1,024,337	441,999	582,338	686,644
Copyright	11,767	-	11,767	11,767
	$ 2,037,857	$ 1,020,859	$ 1,016,998	$ 1,096,396

4. Deferred revenue:

	Deferred revenue, beginning of year	Amounts received / receivable	Revenue recognized, net	Amounts repaid / repayable	Deferred revenue, end of year
Grants					
Information technology	$ 47,655	$ 348	$ (40,139)	$ -	$ 7,864
Alberta Safety Codes Authority	-	150,000	(104,969)	-	45,031
	47,655	150,348	(145,108)	-	52,895
Other amounts					
Course and exam fees	16,882	491,657	(470,479)	-	38,060
Certification	121,101	86,715	(77,250)	-	130,566
	$ 185,638	$ 728,720	$ (692,837)	$ -	$ 221,521

4. Deferred revenue (continued):

Information Technology

On July 18, 2008, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an enhancement upgrade to e-Site. The grant specified four deliverables to establish 1) An IT system in e-Site for Development Permits, 2) An IT system in e-Site for Orders and Variances external data entry, 3) An IT system in e-Site for Underground Petroleum Tank site Remediation (PTRP) and 4) Establish an IT system in e-Site for Municipal Monitoring. The IT in Support of the Safety System project has a total proposed budget of $182,400 to be funded by the Province of Alberta. The grant agreement initially expired on April 30, 2009. The Minister of Municipal Affairs agreed to extend the project completion date to December 31, 2012. Items 1 through 3 above expired on December 31, 2012 accounting for a grant repayable of $48,128 in the prior year. Item 4, through approval of the Minister of Municipal Affairs, was repurposed and extended to a completion date of June 30, 2014. To December 31, 2013, total eligible expenditures incurred under the amended agreements were $125,359 (2012 - $85,220).

Alberta Safety Codes Authority

In the current year, the Council applied for and obtained a one-time conditional grant from Alberta Municipal Affairs. The grant provides for a total of $1,500,000 to be received to complete the research (Phase 1 - $150,000), development (Phase 2 - $1,000,000) and implementation (Phase 3 - $350,000) of the Alberta Safety Codes Authority. Phase 1 was completed in late 2013, Phase 2 is expected to commence in early 2014 and Phase 3 will occur in 2015 - 2016. In late 2013, the Council confirmed to Alberta Municipal Affairs that Phase 1 was complete and requested that Phase 2 funding be released. These funds are expected to be received in early 2014.

5. Internally restricted net assets:

The Council maintains internally restricted net assets in the amount of $3,000,000 to manage sustainability risk over the medium term. Access to the restricted net assets is granted by resolution of the Coordinating Committee.

6. Commitments:

The Council is committed under an operating lease for its office premises which expires April 30, 2018. The Council also leases photocopiers and a postage machine with related service contracts, expiring March 2014 and August 2015. A new agreement was entered into during the year relating to data centre and server storage services that expires November 2016

2014	$ 299,186
2015	295,726
2016	287,264
2017	260,964
2018	86,988
	$ 1,230,128

The Council is also responsible for its share of operating costs related to the office premises lease.

7. Remuneration and other costs disclosure:

Coordinating Committee members are remunerated by the schedules as set out by Order in Council 466/2007. Remuneration is comprised of $43,181 (2012 - $47,810) included in honoraria expense. Other costs consist of travel and accommodation related to meetings attendance which are included in travel expense.

	2013	2012
Coordinating Committee members:		
Remuneration	$ 43,181	$ 47,810
Other	15,494	21,677
	$ 58,675	$ 69,487

8. Related party transactions:

Transactions with Alberta Municipal Affairs are considered to be in the normal course of operations. Amounts due to Alberta Municipal Affairs and the recorded amounts of the transactions are included with these financial statements unless otherwise stated.

The balance of grants repayable on the statement of financial position in the prior year was due to Alberta Municipal Affairs. Grant revenue of $145,108 (2012 - $78,498) on the statement of operations is from an Alberta Municipal Affairs grant.

Alberta Municipal Affairs currently provides certain services to the Council including a monitoring service of accredited entities as part of the Municipal Support Program, at no cost. As a result of the difficulty in determining the fair value of these services, contributed services are not recognized in the financial statements.

9. Financial risks and concentration of credit risk:

The Council is exposed to a number of different financial risks arising from its use of financial instruments, including market price risk, liquidity risk, credit risk and interest rate risk. The Council's overall risk management processes are designed to identify, manage and mitigate business risk.

Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Council's investments are in pooled-funds and carried at fair value with fair value changes recognized in the statement of operations and statement of remeasurement gains, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Council through their investment guidelines and policies, as monitored by the management of the Council and its investment manager.

9. Financial risks and concentration of credit risk (continued):

Liquidity risk

Liquidity risk is both the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities, and there will be no ability to sell its financial instruments should it wish to do so.

The Council's Investment Policy, which is reviewed and approved by the Coordinating Committee annually, establishes the nature of acceptable investments for its portfolio. As a result, 100% of the Council's investments are in pooled funds. Although market events could lead to some investments within the pooled fund becoming illiquid, the diversity and quality of the Council's investments is designed to ensure that liquidity is available to pay liabilities as they come due. The Council also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

There have been no significant changes to the liquidity risk exposure from 2012.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Council. In relation to the Council activities, credit risk arises from the issuance of permits by accredited third-parties and subsequent remittance of levies to the Council. This risk is mitigated through the Council's ongoing due diligence of accredited organizations, and the number of accredited organizations issuing permits. In relation to the Council's investment portfolio, credit risk arises from the bond or equity issuer defaulting on its obligations.

The Council manages credit risk by investing diversified pooled funds. Cash is held with reputable financial institutions and accounts receivable are with counterparties that the Council believes to be reputable entities. No individual financial asset is significant to the Council's operations.

Interest rate risk

The Council is exposed to interest rate risk associated with the underlying interest-bearing instruments held in the Jarislowsky Fraser Bond Fund and the Jarislowsky Fraser Canadian Equity Fund. To properly manage the Council's interest rate risk, appropriate guidelines and investment policies are set and monitored by management of the Council and its investment manager.

SUMMARY STATEMENT OF REVENUES AND EXPENDITURES OF THE IMPROVEMENT DISTRICTS' TRUST ACCOUNT – UNAUDITED*

**NOTE: The unaudited financial information being presented here was derived from the December 31, 2013, financial statements of each Improvement District.*

Improvement Districts' Trust Account
Summary Statement of Revenue and Expenditures
For the year ended December 31, 2013
(Unaudited)

	Improvement Districts								
	4 (Waterton)	9 (Banff)	12 (Jasper)	13 (Elk Island)	24 (Wood Buffalo)	25 (Willmore Wilderness)	Kananaskis	349	Total
Assets	$ 1,101,997	$ 11,002,573	$ 978,006	$ 545,256	$ 335,964	$ 120,203	$ 4,625,245	$ 4,473,004	$ 23,182,248
Liabilities	334,275	3,666,362	556,937	310,722	314,257	120,203	1,543,539	1,325,669	8,171,964
Net assets	$ 767,722	$ 7,336,211	$ 421,069	$ 234,534	$ 21,707	$ -	$ 3,081,706	$ 3,147,335	$ 15,010,284
Revenues	$ 616,851	$ 2,955,734	$ 68,728	$ 32,586	$ 39,514	$ -	$ 1,849,639	$ 21,201,180	$ 26,764,232
Expenditures	363,179	1,558,319	46,170	19,029	33,782	-	1,897,340	19,829,956	23,747,775
Excess / (Deficiency) of revenue over expenditure	$ 253,672	$ 1,397,415	$ 22,558	$ 13,557	$ 5,732	$ -	$ (47,701)	$ 1,371,224	$ 3,016,457

Improvement Districts' Trust Account
Detailed Statement of Revenue and Expenditures
For the year ended December 31, 2013
(Unaudited)

	Improvement Districts								
	4	9	12	13	24	25	Kananaskis	349	Total
REVENUES									
General Municipal:									
Taxation									
Real property	$ 595,714	$ 2,140,552	$ 43,277	$ 4,553	$ 6,622	$ -	$ 1,269,362	$ 3,536,743	$ 7,596,823
Federal grants	165,413	1,008,123	41,719	31,668	18,082	-	11,372	68,981	1,345,358
Provincial grants	-	-	-	-	-	-	118,532	-	118,532
Power and pipeline	6,369	102,774	147,858	6,742	3,787	-	364,060	11,895,918	12,527,508
Machinery and equipment	-	-	-	-	-	-	-	8,967,180	8,967,180
	767,496	3,251,449	232,854	42,963	28,491	-	1,763,326	24,469,822	30,555,401
Less payment of requisitions to:									
Alberta School Foundation Fund	416,580	1,466,481	176,858	23,763	12,536	-	661,419	3,065,560	5,823,197
Seniors Foundation	-	63,930	6,723	-	-	-	32,869	399,931	503,453
	416,580	1,530,411	183,581	23,763	12,536	-	694,288	3,465,491	6,326,650
General municipal taxes	350,916	1,721,038	49,273	19,200	15,955	-	1,069,038	21,003,331	24,228,751
Government transfers	240,664	962,627	13,937	9,770	23,073	-	253,481	124,398	1,627,950
Penalties and costs	9,540	117,522	2	-	224	-	14,095	-	141,383
Interest	5,386	60,464	5,516	3,616	262	-	22,116	73,451	170,811
Utility Services	-	-	-	-	-	-	387,372	-	387,372
Other	10,345	94,083	-	-	-	-	103,537	-	207,965
	616,851	2,955,734	68,728	32,586	39,514	-	1,849,639	21,201,180	26,764,232
EXPENDITURES									
General Municipal:									
Administrative services	55,198	171,769	13,689	1,102	2,068	-	248,056	212,432	704,314
Protective services	-	633,554	20,855	-	-	-	792,935	-	1,447,344
Transportation services	-	-	-	-	-	-	117,917	-	117,917
Flood disaster services	-	-	-	-	-	-	250,786	-	250,786
Assessment fees	8,630	29,781	11,626	8,157	8,641	-	-	131,305	198,140
Grants	-	-	-	9,770	23,073	-	-	19,486,219	19,519,062
Recreation and cultural services	135,000	599,582	-	-	-	-	-	-	734,582
Utilities	709	12,283	-	-	-	-	64,019	-	77,011
Honorarium	14,374	43,400	-	-	-	-	15,712	-	73,486
Garbage collection and disposal	-	-	-	-	-	-	310,314	-	310,314
Interest	6,645	-	-	-	-	-	-	-	6,645
Amortization	109,077	66,087	-	-	-	-	96,848	-	272,012
Other expenditures	33,546	1,863	-	-	-	-	753	-	36,162
	363,179	1,558,319	46,170	19,029	33,782	-	1,897,340	19,829,956	23,747,775
Excess / (Deficiency) of revenue over expenditure	$ 253,672	$ 1,397,415	$ 22,558	$ 13,557	$ 5,732	$ -	$ (47,701)	$ 1,371,224	$ 3,016,457

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2013

Auditors' Report

Statement of Financial Position

Statement of Operations

Statement of Changes of Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Investments

Schedule of Salaries and Benefits

Supplementary Net Financial Asset Information Schedule

Supplementary Unrestricted Accumulated Surplus Information Schedule

Schedule of Segment Expenditure Disclosure by Object

Independent Auditor's Report

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Special Areas Trust Account, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2013, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 27, 2014

Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012
Financial Assets		
Cash (Note 3)	$ 38,034,668	$ 37,238,344
Accounts receivable (Note 4)	3,456,902	5,727,511
Notes receivable (Note 5)	16,423,183	18,417,718
Due from Province of Alberta (Note 6)	301,063	1,049,201
Taxes receivable (Note 7)	558,377	94,186
	58,774,193	62,526,960
Investments (Schedule 1)	27,410,458	26,234,975
Total Financial Assets	86,184,651	88,761,935
Liabilities		
Accounts payable and accruals	2,130,979	3,258,191
Vacation accrual	829,742	752,198
Deferred revenues	344,889	349,045
Deferred provincial grant revenue (Note 8)	892,066	1,187,813
Deferred federal grant revenue	-	263,547
Due to Province of Alberta (Note 6)	542,932	402,657
	4,740,608	6,213,451
Long-term debt (Note 9)	17,209,065	20,292,461
Provision for gravel pit reclamation (Note 10)	2,411,000	2,359,000
Total Liabilities	24,360,673	28,864,912
Net Financial Assets (Schedule 3)	61,823,978	59,897,023
Non-financial assets (Note 11)		
Prepaid assets	167,487	85,685
Tangible capital assets	202,090,324	184,748,625
Inventory	6,529,508	6,243,586
	208,787,319	191,077,896
Accumulated Surplus (Note 12)	**$ 270,611,297**	**$ 250,974,919**
Commitments (Note 22)		

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 BUDGET (Note 13)	2013 ACTUAL	2012 ACTUAL
Revenues			
Taxation			
Power and pipeline	$ 33,699,850	$ 34,857,240	$ 32,822,424
Real property	10,493,200	10,812,823	10,316,284
Grazing and cultivation	742,700	766,355	730,278
Penalties and costs on taxes	75,000	254,857	218,280
	45,010,750	46,691,275	44,087,266
Less requisitions (Note 14)	(16,725,100)	(16,809,310)	(16,690,674)
Net taxes for municipal purposes	**28,285,650**	**29,881,965**	**27,396,592**
Leases (Note 15)	8,498,845	7,497,357	11,538,204
Government transfers for operating (Note 16)	7,314,067	5,613,639	5,624,894
Government transfers for capital (Note 16)	2,042,547	2,306,094	2,594,000
Tax recovery land sales	1,075,000	1,982,066	1,108,827
Interest	1,870,717	1,712,243	1,887,774
Contributed assets (Note 17)	-	57,257	797,239
Other	1,621,500	1,919,286	1,945,785
Total revenues	**50,708,326**	**50,969,907**	**52,893,315**
Expenses			
Transportation services	16,231,051	9,929,175	13,387,255
Administrative services	5,335,099	5,903,767	5,233,477
Recreational and cultural services	2,311,114	2,049,861	2,232,242
Water and sanitation services	3,704,890	2,757,452	2,276,827
Agriculture and community development	2,449,374	2,038,501	2,175,731
Protective services	1,034,036	1,136,651	943,742
Industrial tax transfers	510,000	580,000	220,665
Loss on sale of capital assets	100,000	151,892	237,901
Amortization	5,502,123	6,786,230	6,360,226
Total expenses (Note 18)	**37,177,687**	**31,333,529**	**33,068,066**
Excess of revenues over expenses	**$ 13,530,639**	**$ 19,636,378**	**$ 19,825,249**
Accumulated surplus at beginning of year	250,974,919	250,974,919	231,149,670
Accumulated surplus at end of year	**$ 264,505,558**	**$ 270,611,297**	**$ 250,974,919**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2013

	2013		2012
	BUDGET (Note 13)	ACTUAL	ACTUAL
Excess of revenue over expenses	$ 13,530,639	$ 19,636,378	$ 19,825,249
Acquisition of tangible capital assets	(11,100,916)	(11,923,832)	(11,934,620)
Construction of roads and road surfaces	(9,000,000)	(14,261,549)	(10,261,836)
Loss on sale of tangible capital assets	100,000	151,892	237,901
Net transfers to capital	(1,271,000)	-	-
Proceeds on disposal of tangible capital assets	420,000	1,905,560	626,793
Amortization of tangible capital assets	5,502,123	6,786,230	6,360,226
Use (acquisition) of prepaid assets	-	(81,802)	458,449
Change in inventory	-	(285,922)	(1,085,495)
Increase in net financial assets	(1,819,154)	1,926,955	4,226,667
Net financial assets, beginning of year	59,897,023	59,897,023	55,670,356
Net financial assets, end of year	**$ 58,077,869**	**$ 61,823,978**	**$ 59,897,023**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Operating activities:		
Excess of revenue over expenses	$ 19,636,378	$ 19,825,249
Amortization of investment premiums, less discounts	199,461	168,366
Gain on sale of investments	(35,076)	(83,872)
Amortization of tangible capital assets	6,786,230	6,360,226
Amortization relating to self-constructed assets	(1,516,173)	(1,482,819)
Contributed assets	(57,257)	(797,239)
Loss on sale of tangible capital assets	151,892	237,901
Increase in provision for gravel pit reclamation	52,000	249,000
	25,217,455	24,476,812
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	2,188,807	(1,101,191)
Due from Province of Alberta	748,138	(970,833)
Taxes receivable	(464,191)	499,717
Accounts payable and accruals	(1,049,668)	1,958,499
Deferred revenues	(4,156)	100,292
Deferred government grant revenue	(559,294)	1,282,708
Due to Province of Alberta	140,275	121,011
Inventory	(285,922)	(1,085,495)
	713,989	804,708
Cash provided by operating activities	25,931,444	25,281,520
Capital activities:		
Proceeds of sale of tangible capital assets	1,905,560	626,793
Purchase of tangible capital assets	(24,611,951)	(19,916,398)
Cash applied to capital activities	(22,706,391)	(19,289,605)
Investing activities:		
Net change in notes receivable	1,994,535	2,415,250
Proceeds from redemption of investments	9,018,002	17,035,356
Purchase of investments	(10,357,870)	(18,097,462)
Cash provided by investing activities	654,667	1,353,144
Financing activities:		
Long term debt issued	-	-
Long term debt repaid	(3,083,396)	(3,380,690)
Cash applied to financing activities	(3,083,396)	(3,380,690)
Increase in cash	796,324	3,964,369
Cash at the beginning of year	37,238,344	33,273,975
Cash at end of year	**$ 38,034,668**	**$ 37,238,344**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 1 Authority and Purpose

The Special Areas Trust Account operates under the authority of the *Special Areas Act*, Revised Statutes of Alberta 2000, chapter S-16. The Special Areas Trust Account is held by the Special Areas Board, an agent of the Crown in right of Alberta, and as such, has a tax exempt status.

The Special Areas Board ("the Board") is appointed by the Lieutenant Governor in Council. The Board provides municipal services and long-term land resource management.

Note 2 Significant Accounting Policies

(a) General

These financial statements are the representations of management, and have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Revenue resulting from mineral surface leases are first recognized on the initial agreement date and then on the anniversary date each year thereafter. All other leases are recognized as earned on an annual basis (e.g. cultivation, grazing, etc.) and are due and payable at the beginning of the year.

Note 2 (c) Land

(cont'd) Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the Statements of Financial Position. Approximately 1.021 million acres of tax recovery land remains unsold as at December 31, 2013 (2012 - 1.030 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Board, is not valued for financial statement purposes. This consists of approximately 1.575 million acres (2012 - 1.575 million acres).

Road infrastructure land right of ways, located within the Special Areas and administered by the Board, were transferred to the Province of Alberta from the Government of Canada for no monetary consideration. The Board has also acquired additional right of way for road widening purposes for insignificant amounts. As at December 31, 2013, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2012 - 0.012 million acres) and are not recorded in the Statements of Financial Position.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts receivable, gravel inventory, gravel pit reclamation, and both current and prior years tangible capital asset historical costs and related amortization. A significant component of these tangible capital asset costs are self constructed and their cost is measured by the use of equipment rates which are approximations of actual costs incurred. Actual results could differ from management's best estimates as additional information becomes available.

Note 2 (e) Financial Instruments

(cont'd)

The carrying value of cash, accounts receivable, notes receivable, taxes receivable, amounts due to / from Province of Alberta, accounts payable and accruals approximate fair value due to the short-term nature of these items.

All non-current receivables and long-term debt are a result of binding contractual agreements. The carrying value of these non-current accounts approximate their fair value.

The fair value of investments are disclosed on Schedule 1.

(f) Requisition over/under levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) Investments

Investments are valued at cost adjusted for the applicable amortization of discount or premium using the straight-line method over the period to maturity. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(h) Pensions

The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

(i) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Note 2 (j) Non-financial Assets

(cont'd) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Inventory
Inventory is valued at the lower of cost or net replacement value. Costs for all inventory is determined by using the first-in-first-out method with the exception of parts inventory, which is valued by using the average costing method.

Leases
Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Tangible Capital Assets
Tangible capital assets consist of engineering structures, roads, buildings, vehicles, equipment, land, water/wastewater utilities and dams.

For the purposes of the Board, tangible capital assets having a useful life greater than one year are shown at net book value. Recognition thresholds for these assets are $10,000 for engineered structures or third party software development and $2,500 for all other categories. Purchased land and all other off the shelf electronic data processing equipment are all capitalized.

The Board in its provision of transportation services, undertakes using its own forces, a significant amount of construction activity consisting of road building and road resurfacing. These activities are considered to be capital in nature as they result in the construction of tangible capital assets. Thus the expenditures made for direct manpower, materials and indirect equipment costs relating to these activities are removed from operational expenditures to reflect the capital component of the assets being self-constructed. An hourly equipment rate is used to estimate the actual indirect equipment cost, including amortization, and is the basis for allocating these costs to the road construction projects. Annually, the total estimated equipment costs included in the road construction projects is compared to actual equipment costs incurred.

Note 2 (j) Non-financial Assets

(cont'd) Tangible capital assets are recorded at cost, net of asset disposals, write-downs and amortization.

The cost of tangible capital assets shown on the statement of financial position is amortized to estimated salvage value in a manner that reflects the consumption of their future economic benefits at the following rates (rates and values expressed as a percentage of original cost):

	Annual Amortization			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings	2.50	2.50	2.50	2.50
Engineered structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equip.	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	0.00
- Software	25.00	25.00	25.00	0.00
Road infrastructure	0.25 to 10.00	0.25 to 10.00	0.25 to 10.00	30.00 to 90.00
Water/wastewater lines	2.50	2.50	2.50	0.00
Dams	2.50	2.50	2.50	0.00

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Note 3 Cash

Cash includes funds held in the Consolidated Cash Investment Trust Fund of the Province of Alberta which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term cashable fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2013, securities held by the Fund had an average effective yield of 1.21% per annum (2012 - 1.23% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of $77,625 (2012- $46,070), are comprised of the following:

	2013	2012
Current:		
From sale of tax recovery land and related mineral surface leases	$ 352,758	$ 375,740
Accrued interest	39,819	38,799
	392,577	414,539
Equipment rentals	-	2,621,925
Leases	216,343	143,422
Accrued interest on investments	115,929	100,709
Local improvement recoveries	75,690	86,304
Oil well drilling	29,639	73,058
Parks permit receivable	64,756	64,756
High speed wireless	39,565	39,565
Miscellaneous	228,558	168,758
	$ 1,163,057	$ 3,713,036
Non-current:		
From sale of tax recovery land and related mineral surface leases	$ 1,587,593	$ 1,362,112
High speed wireless	356,088	356,088
Miscellaneous	350,164	296,275
	$ 2,293,845	$ 2,014,475
	$ 3,456,902	$ 5,727,511

Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in installments over a period not exceeding ten years. An interest rate of 8% per annum is applied to tax recovery land sale II and 6% per annum to tax recovery land sale III that commenced in 2004. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

The high speed wireless receivable is a result of the Board entering into a memorandum of agreement with an internet service provider to facilitate the delivery of high-speed internet to residents of the Special Areas. Certain equipment was offered for sale by the Board to the internet service provider at the Board's cost. Repayment terms will be based on network usage and a promissory note that will be signed upon completion of the joint project.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	2013	2012
Current:		
Acadia Foundation	$ 2,295,859	$ 2,214,013
Acadia Foundation - accrued interest	25,617	29,169
	2,321,476	2,243,182
Neutral Hills Child Care Society	13,454	250,000
Village of Consort	250,000	-
	$ 2,584,930	$ 2,493,182
Non-current:		
Acadia Foundation	$ 13,605,238	$ 15,901,098
Neutral Hills Child Care Society	236,546	-
Other	(3,531)	23,438
	$ 13,838,253	$ 15,924,536
	$ 16,423,183	$ 18,417,718

The Acadia Foundation loan is a result of the Board entering into a memorandum of understanding with the other municipal members of the Acadia Foundation to borrow on behalf of the Acadia Foundation from the Alberta Capital Finance Authority. These funds were advanced to the Acadia Foundation for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna. Repayment is based on the issuance of unsecured interest bearing promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.14% to 5.00% (2012 - 3.14% to 5.00%). Semi-annual payments totaling $2,859,730 (2012 - $2,859,730) were made in June and December. Interest revenue recognized as a result of this loan in 2013 was $642,165 (2012 - $721,183).

The Neutral Hills Child Care Society note is a result of the board entering into a memorandum of understanding to advance funds to complete a new daycare building in Consort. Repayment is based on the issuance of an unsecured interest bearing note of a 15 year term at 3.00% interest.

The Village of Consort note is a result of the board entering into a memorandum of understanding to advance funds to complete a new doctor's house in Consort. The loan is interest free until the new house is built and the sale of the old house is completed.

Principal repayments on long-term receivable are estimated as follows:

2015	2,391,070
2016	2,483,118
2017	2,574,956
2018	2,610,205
Thereafter	3,778,904
	$ 13,838,253

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 6 Due (to) from Province of Alberta

The net amount due (to) from the Province of Alberta is comprised of the following:

	2013	2012
Due from Province of Alberta:		
Transportation	$ -	$ 786,196
Municipal Affairs	195,762	251,731
Environment	37,438	9,674
Agriculture and Rural Development	1,600	1,600
Service Alberta	66,263	-
	301,063	1,049,201
Due to Province of Alberta:		
Environment	(335,793)	(199,370)
Other	(207,140)	(203,287)
	(542,932)	(402,657)
Due (to) from Province of Alberta	$ (241,869)	$ 646,544

Note 7 Taxes Receivable

	2013	2012
Current taxes	$ 1,083,404	$ 780,308
Over levy	(49,872)	(318,684)
Tax arrears	984,086	563,285
	2,017,618	1,024,909
Less allowance for doubtful accounts:	(1,459,241)	(930,723)
	$ 558,377	$ 94,186

Note 8 Deferred Provincial Grant Revenue

	2013	2012
Municipal Affairs	$ 649,309	$ 750,000
Agriculture and Rural Development	49,766	262,221
Transportation	192,991	175,592
	$ 892,066	$ 1,187,813

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 9 Long Term Debt

	2013	2012
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $263,223, including fixed interest at 4.39%, due June 2018	$ 2,128,841	$ 2,548,078
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $251,377, including fixed interest at 4.01%, due December 2018	2,257,309	2,657,421
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $493,631, including fixed interest at 3.34%, due December 2019	5,327,040	6,116,316
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $298,660, including fixed interest at 3.51%, due June 2020	3,444,230	3,908,255
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $162,114, including fixed interest at 3.14%, due June 2021	2,151,645	2,402,391
Alberta Treasury Branches (ATB) demand loan, repayable in semi-annual installments of $380,000, plus monthly variable interest at ATB prime -0.25%, due December 2016	1,900,000	2,660,000
	17,209,065	20,292,461
Less: current portion	4,309,196	4,983,396
	$ 12,899,869	$ 15,309,065

Note 9 Long Term Debt

(cont'd) The current portion of long-term debt includes all of the ATB loan due to its demand feature.

Principal repayments on long-term debt in each of the next five years (assuming the demand loan will not be called and will be renewed at similar terms as it comes due) are estimated as follows:

2014	3,169,196
2015	3,258,210
2016	2,970,558
2017	2,686,369
2018	2,522,549
Thereafter	2,602,183
	$ 17,209,065

Interest on long-term debt amounted to $677,933 (2012 - $781,928).

The total cash payments for interest in 2013 were $682,526 (2012 - $786,389).

Note 10 Provision for Gravel Pit Reclamation

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the *Environmental Protection and Enhancement Act*.

The estimated liability is based on the total cubic meters of exposed gravel pits multiplied by the price per cubic meter to reclaim the sites.

In 2013 it was estimated that 846,130 cubic meters (2012 - 827,602 cubic meters) of gravel pits were exposed at an approximate cost for reclamation of $2.85 per cubic meter (2012 - $2.85 per cubic meter), for a total liability of $2,411,000 (2012 - $2,359,000).

There is uncertainty with respect to the measurement of the estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 11 Non-financial Assets

	2013			2012
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Tangible Capital Assets:				
Mobile equipment	$ 32,523,889	$ 7,587,011	$ 24,936,878	$ 21,032,328
Engineered structures	11,592,899	1,570,235	10,022,664	8,333,055
Buildings	9,604,804	4,421,463	5,183,341	5,165,172
Automotive equipment	16,851,770	10,889,552	5,962,218	6,428,771
Machinery and equipment	4,525,288	2,383,392	2,141,896	1,994,047
Land	1,108,370	138,005	970,365	970,365
Electronic data processing				
- Hardware	1,589,016	1,243,402	345,614	220,220
- Software	1,801,617	1,255,296	546,321	200,562
Road infrastructure	189,796,085	37,875,304	151,920,781	140,341,781
Water/wastewater lines	54,027	53,368	659	683
Dams	367,494	307,907	59,587	61,641
Tangible Capital Assets	$ 269,815,259	$ 67,724,935	$202,090,324	$184,748,625

	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	$ 1,485,438	$ 92,098	$ 1,393,340	$ 1,377,318
Gravel	4,769,720	-	4,769,720	4,560,315
Culverts	57,553	-	57,553	114,856
Fuel	123,003	-	123,003	150,563
Fencing	139,327	-	139,327	15,002
Chemicals and other	46,565	-	46,565	25,532
Inventory	$ 6,621,606	$ 92,098	$ 6,529,508	$ 6,243,586
Prepaid assets			$ 167,487	$ 85,685
Total non-financial assets			$208,787,319	$191,077,896

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 12 Accumulated Surplus

Accumulated Surplus consists of equity in tangible capital assets, unrestricted amounts and internally restricted as follows:

	2013	2012
Equity in tangible capital assets	$200,190,324	$182,088,625
Equity in inventory	6,529,508	6,243,586
Unrestricted operational surplus	15,873,789	16,482,943
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	48,017,676	46,159,765
Total Accumulated Surplus (Schedule 4)	$270,611,297	$250,974,919

The internally restricted accumulated surplus are funds that are available to meet cash flow needs but may not be used for expenditures without authorization by the Minister of Municipal Affairs.

Note 13 Budget

The 2013 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in January 2014. The budget was prepared on the previous basis of accounting and as such does not reflect the impact of adopting Tangible Capital Assets (TCA). A reconciliation to that basis is as follows:

	2013		2012
	Budgeted	Actual	Actual
Surplus during the year	$ 13,530,639	$ 19,636,378	$ 19,825,249
Acquisition of tangible capital assets	(11,100,916)	(11,923,832)	(11,934,620)
Construction of road and road surfaces	(9,000,000)	(14,261,549)	(10,261,836)
Net transfers to capital	(1,271,000)	(760,000)	(1,140,000)
Loss on sale of tangible capital assets	100,000	151,892	237,901
Proceeds on disposal of tangible capital assets	420,000	1,905,560	626,793
Amortization of tangible capital assets	5,502,123	6,786,230	6,360,226
	(1,819,154)	1,534,679	3,713,713
Tax Recovery Land Sales - transferred from operations	(1,000,000)	(1,857,911)	(1,049,913)
(Deficit) Surplus	$ (2,819,154)	$ (323,232)	$ 2,663,800

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 14 Requisitions

	2013	2012
Alberta School Foundation Fund	$ 12,641,457	$ 12,544,153
Seniors Foundation	4,167,853	4,146,521
	$ 16,809,310	$ 16,690,674

Note 15 Lease Revenue

	2013	2012
Mineral surface leases	$ 3,450,809	$ 3,355,198
Grazing leases	1,569,115	1,473,440
Community pastures	603,389	583,344
Equipment rentals	560,049	2,840,665
Easements	497,806	2,347,186
Cultivation leases	402,583	281,593
Other	413,606	656,778
	$ 7,497,357	$ 11,538,204

Note 16 Government Transfers

	2013	2012
Transfers for operating:		
Municipal Affairs	$ 3,112,368	$ 2,563,253
Transportation	1,553,756	2,320,517
Agriculture and Rural Development	665,017	488,134
Human Services	147,443	150,383
Infrastructure	131,055	86,607
Tourism, Parks and Recreation	4,000	16,000
	$ 5,613,639	$ 5,624,894
Transfers for capital:		
Municipal Affairs	$ 2,306,094	$ 2,594,000

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 17 Contributed assets

Assets transferred were as followed:

	2013			2012
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Tangible Capital Assets:				
Electronic data processing - Hardware	$ 31,885	$ -	$ 31,885	$ -
Automotive equipment	25,372	-	25,372	-
Engineered structures	-	-	-	711,243
Buildings	-	-	-	85,996
	$ 57,257	$ -	$ 57,257	$ 797,239

In management's opinion, the calculated NBV approximates fair value.

Note 18 Total Expenses

Total expenses for the year is analyzed by object as follows:

	2013	2012
Manpower (Schedule 2)	$ 14,800,883	$ 13,527,857
Materials, goods, and utilities	11,566,940	11,486,608
Contract and general services	8,316,110	7,958,822
Amortization of tangible capital assets	6,786,230	6,360,226
Grants	1,712,837	1,909,423
Goods and services from Alberta Government departments		
Alberta Finance		
Risk Management	160,180	161,738
Investment fees	23,731	24,330
Alberta Municipal Affairs		
Linear assessment	140,892	144,545
Government Services	26,639	22,665
Interest on long-term debt	677,933	781,928
Provision for doubtful accounts	650,811	493,194
Industrial tax transfers	580,000	220,665
Loss on sale of tangible capital assets	151,892	237,901
Less:		
Internal road projects capitalized in the year	(14,261,549)	(10,261,836)
	$ 31,333,529	$ 33,068,066

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 19 Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Board be disclosed as follows:

	2013	2012
Total debt limit	$ 72,909,834	$ 74,253,114
Total debt	17,209,065	20,292,461
Amount of debt limit unused	$ 55,700,769	$ 53,960,653
Debt servicing limit	$ 12,151,639	$ 12,375,519
Debt servicing	3,742,731	3,762,714
Amount of debt servicing limit unused	$ 8,408,908	$ 8,612,805

The debt limit is calculated at 1.5 times revenue of the Board (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitation requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Board. Rather, the financial statements must be interpreted as a whole.

Note 20 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are charged to the Board as disclosed in Note 18.

Grants provided by the Province of Alberta are disclosed in Note 16 and the amounts outstanding at the end of the year are disclosed in Note 6.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 21 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings. The Board's contribution to the PSPP is 11.70% up to the CPP threshold of $51,100, and 16.72% thereafter. The Board's contribution to the MEPP is 19.14% up to the Salary Cap of $134,834.

Total current contributions by the Board in 2013 to the PSPP were $799,721 (2012 - $601,853) and to the MEPP were $151,738 (2012 - $137,682).

At December 31, 2012, the PSPP reported a deficit of $1,645,141,000 (2011 deficit - $1,790,383,000) and the MEPP reported a deficiency of $303,423,000 (2011 - $517,726,000).

Note 22 Commitments

The Board has entered into three long-term operating leases for equipment. The Board has also entered into contracts to purchase two fire trucks and five graders in 2014. The future payments are as follows:

2014	$ 2,811,341
2015	58,341
2016	58,341
	$ 2,928,023

Note 23 Administration Expenses

Accommodation costs for the offices at Hanna, amounting to approximately $70,000 annually, have not been included in the expenditures of the Board. The building is owned and operated by Alberta Infrastructure and all costs are recorded as expenditure of that Ministry.

Note 24 Comparative Figures

Certain 2012 figures have been reclassified to conform to 2013 presentation.

Note 25 Approval of Financial Statements

These financial statements have been approved by the Board.

Schedule 1

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2013

	2013						2012
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
Bonds:							
Bank of Montreal	4.870%	3.900%	April 22, 2020	$ 700,000	$ 728,445	$ 715,167	$ 722,313
Bank of Nova Scotia	6.650%	3.290%	January 22, 2021	440,000	480,497	$ 478,969	491,558
Canada Housing Trust	2.750%	1.036%	December 15, 2014	1,570,000	1,595,687	$ 1,595,391	-
Canada Housing Trust	3.600%	2.880%	June 15, 2013	-	-	$ -	1,565,072
Canada Housing Trust	2.700%	2.650%	December 15, 2013	-	-	$ -	3,301,507
Canada Housing Trust	2.750%	1.130%	September 15, 2014	1,350,000	1,366,363	$ 1,364,723	462,308
Canada Housing Trust	2.950%	3.080%	March 15, 2015	1,100,000	1,125,028	$ 1,098,497	1,097,040
Canada Housing Trust	2.750%	1.780%	June 15, 2016	5,333,000	5,520,989	$ 5,463,267	5,515,401
Canada Housing Trust	2.050%	1.590%	June 15, 2017	550,000	557,751	$ 558,434	560,812
Canada Housing Trust	4.100%	2.479%	December 15, 2018	1,800,000	1,958,736	$ 1,962,288	-
Canada Housing Trust	1.700%	1.730%	December 15, 2017	2,650,000	2,632,048	$ 2,653,323	1,647,819
Canadian Imperial Bank of Commerce	4.110%	4.070%	April 30, 2020	700,000	722,509	$ 700,031	700,000
Financement Quebec	3.250%	3.050%	June 1, 2014	-	-	$ -	501,317
Government of Canada	2.500%	1.760%	June 1, 2015	1,500,000	1,530,675	$ 1,515,717	1,526,659
Government of Canada	3.000%	1.180%	December 1, 2015	1,310,000	1,356,414	$ 1,355,059	1,378,307
Government of Canada	2.000%	1.650%	June 1, 2016	1,425,000	1,453,908	$ 1,437,005	1,441,881
Government of Canada	2.750%	1.160%	September 1, 2016	182,000	189,174	$ 189,591	192,376
New Brunswick Provincial	3.350%	3.060%	June 1, 2013	-	-	$ -	500,560
Province of Ontario	2.100%	2.280%	September 8, 2018	1,000,000	989,859	$ 992,599	-
Province of Ontario	3.200%	2.380%	September 8, 2016	3,420,000	3,580,693	$ 3,541,276	1,482,819
Province of Quebec	5.250%	3.650%	October 1, 2013	-	-	$ -	808,764
Province of Quebec	5.500%	2.740%	December 1, 2014	-	-	$ -	1,626,402
Province of Quebec	4.500%	2.318%	December 1, 2018	1,000,000	1,095,970	$ 1,100,688	-
TD Bank	5.690%	5.020%	June 3, 2018	-	-	$ -	711,910
Royal Bank of Canada	2.680%	2.040%	December 8, 2016	676,000	688,970	$ 688,283	-
				26,706,000	27,573,716	27,410,308	26,234,825
Alberta Capital Finance Authority			(15 Shares)	150	150	150	150
				$ 26,706,150	$ 27,573,866	$ 27,410,458	$ 26,234,975

Note:

The Board, as part of its operations, carries these financial instruments. It is management's opinion that the Board is not exposed to significant interest rate or currency risks arising from these financial instruments.

Schedule 2

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013					2012	
	Number of Individuals (a)	Salary (b)	Other Cash Benefits (c)	Other Non-cash Benefits (d)	Total	Number of Individuals	Total
Chairman of the Special Areas Board	1	$ 157,305	$ -	$ 10,141	$ 167,446	1	$ 184,596
Special Areas Board members	2	22,268	-	1,522	23,790	2	16,027
Director of Finance and Administration	1	127,442	4,861	33,970	166,273	1	158,606
Director of Municipal Services	1	118,941	-	32,065	151,006	1	138,689
Director of Properties Administration	1	120,681	-	31,237	151,918	1	106,154
Roads & Equipment Superintendent	1	102,740	-	28,776	131,516	1	142,819
Managers (e)	3.25	330,641	-	92,532	423,173	3	390,129
Other full time staff (f)	99.0	7,042,833	-	1,508,678	8,551,511	93.8	7,463,804
Part time and casual wage staff		4,399,956	-	481,061	4,881,017		4,831,566
Other Boards and committees		14,912	-	673	15,585		47,779
Advisory Councillors	13	59,745	-	359	60,104	13	27,731
Increase in vacation accrual		77,544	-	-	77,544		19,957
		$ 12,575,008	$ 4,861	$ 2,221,014	$ 14,800,883		$ 13,527,857

(a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.

(b) Salary includes pensionable base pay.

(c) Other cash benefits includes bonuses, lump sum payments, honoraria and vacation payouts.

(d) Employer's share of all employee benefits and contributions or payments made on behalf of employees, managers and board members including Workers' Compensation Board, Canada Pension Plan, Employment Insurance, camp allowances, pension, health care, dental coverage, out of country medical benefits, membership fees, group life insurance, accidental death and dismemberment insurance, tuition and long and shot-term disability plan.

(e) Average salary is $101,736 and average benefits (column c & d) are $28,471 totaling $130,207 (2012 - $130,043).

(f) Average salary is $71,140 and average benefits are $15,239 totaling $86,379 (2012 - $79,571).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2013

Schedule 3

	2013	2012
Change in Financial Assets		
Cash	$ 796,324	$ 3,964,369
Accounts receivable	(2,270,609)	1,559,640
Notes receivable	(1,994,535)	(2,415,250)
Due from Province of Alberta	(748,138)	970,833
Taxes receivable	464,191	(499,717)
	(3,752,767)	3,579,875
Investments	1,175,483	977,612
Increase in Financial Assets	(2,577,284)	4,557,487
Change in Liabilities		
Accounts payable and accruals	1,127,212	(1,938,542)
Vacation accrual	(77,544)	(19,957)
Deferred revenues	4,156	(100,292)
Deferred provincial grant revenue	295,747	(1,019,161)
Deferred federal grant revenue	263,547	(263,547)
Due to Province of Alberta	(140,275)	(121,011)
	1,472,843	(3,462,510)
Long term loan	3,083,396	3,380,690
Provision for gravel pit reclamation	(52,000)	(249,000)
Increase in Liabilities	4,504,239	(330,820)
Net increase in net financial assets	1,926,955	4,226,667
Net financial assets at the beginning of year	59,897,023	55,670,356
Net financial assets at end of year	**$ 61,823,978**	**$ 59,897,023**

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY UNRESTRICTED ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 4

	2013 BUDGET (Note 13)	2013 ACTUAL	2012 ACTUAL
Equity in capital assets at beginning of year		$ 182,088,625	$ 165,977,089
Addition of capital assets:			
Road infrastructure	9,000,000	14,261,549	10,261,836
Water and sanitation services	1,536,000	380,562	935,648
Transportation services	4,967,881	9,196,010	7,915,486
Protective services	395,600	374,337	1,845,187
Administrative services	3,238,935	854,561	565,690
Recreation and cultural services	515,000	716,679	481,060
Agriculture and community pasture services	447,500	401,683	191,549
	20,100,916	26,185,381	22,196,456
Annual amortization of capital assets		(6,786,230)	(6,360,226)
Disposal of capital assets		(2,057,452)	(864,694)
		199,430,324	180,948,625
Debt retired in the year		760,000	1,140,000
Equity in capital assets at end of year (Note 12)		$ **200,190,324**	$ **182,088,625**
Equity in inventory at beginning of year		$ 6,243,586	$ 5,158,091
Add purchases and other inventory costs		4,058,678	4,538,521
Deduct requisitions		(3,772,756)	(3,453,026)
Equity in inventory at end of year (Note 11, 12)		$ **6,529,508**	$ **6,243,586**
Accumulated operational surplus at beginning of year		$ 16,482,943	$ 14,904,638
Surplus for the year		19,636,378	19,825,249
Debt retired in the year		(760,000)	(1,140,000)
Change in Non-Financial Assets		(17,627,621)	(16,057,031)
		17,731,700	17,532,856
Transfers to internally restricted reserves		(1,857,911)	(1,049,913)
Accumulated operational surplus at end of year (Note 12)		$ **15,873,789**	$ **16,482,943**
Internally restricted accumulated surplusses at beginning of year		$ 46,159,765	$ 45,109,852
Tax Recovery Land Sales - Transfers from operations		1,857,911	1,049,913
Internally restricted accumulated surplusses at end of year (Note 12)		$ **48,017,676**	$ **46,159,765**
		$ **270,611,297**	$ **250,974,919**

Schedule 5

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SEGMENT EXPENDITURE DISCLOSURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013						
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	Total
Expenditures:							
Manpower (Schedule 2)	$ 2,941,012	$ 223,079	$ 9,462,216	$ 637,868	$1,075,537	$ 461,171	$14,800,883
Materials, goods, and utilities	160,763	125,314	10,429,188	195,045	299,095	357,535	11,566,940
Contract and general services	1,058,616	788,258	4,297,160	1,726,333	323,307	122,436	8,316,110
Grants	88,049	-	1,640	198,206	316,223	1,108,719	1,712,837
Interest on long-term debt	610,939	-	66,994	-	-	-	677,933
Goods and services from GOA	326,583	-	520	-	24,339	-	351,442
Provision for doubtful accounts	650,811	-	-	-	-	-	650,811
Internal road projects capitalized in the year	-	-	(14,261,549)	-	-	-	(14,261,549)
Segmented expenditures per department	$ 5,836,773	$1,136,651	$ 9,996,169	$2,757,452	$2,038,501	$2,049,861	$23,815,407
Industrial tax transfers	580,000	-	-	-	-	-	580,000
Loss on sale of tangible capital assets	9,469	1,925	132,786	-	(4,279)	11,991	151,892
Amortization of tangible capital assets	412,844	427,770	5,574,790	230,793	73,102	66,931	6,786,230
Expenditures per statement of operations	$ 6,839,086	$1,566,346	$15,703,745	$2,988,245	$2,107,324	$2,128,783	$31,333,529
Cash Basis Reconciliation:							
Segmented expenditures per department	$ 5,836,773	$1,136,651	$ 9,996,169	$2,757,452	$2,038,501	$2,049,861	$23,815,407
Industrial tax transfers	580,000	-	-	-	-	-	580,000
Purchase of tangible capital assets	854,561	374,337	23,457,559	380,562	401,683	716,679	26,185,381
Tax recovery land sales	1,857,911	-	-	-	-	-	1,857,911
Segmented expenses per cash basis	$ 9,129,245	$1,510,988	$33,453,728	$3,138,014	$2,440,184	$2,766,540	$52,438,699
Budgeted expenditures per cash basis	$10,084,034	$1,429,636	$31,469,932	$5,240,890	$2,896,874	$2,826,114	$53,947,480

Note:

The Board provides a range of services to its ratepayers. For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in the segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 2.

To download a PDF of this annual report, please visit the
Municipal Affairs website: **www.municipalaffairs.alberta.ca/am_index.cfm**

PRINT VERSION: 978-1-4601-1708-8 (ISBN) 1925-9239 (ISSN) June 2014
ONLINE PDF VERSION: 978-1-4601-1709-5 (ISBN) 1925-9247 (ISSN)

Printed in Alberta, Canada
on recycled paper